

**INTRA COMPANY
CORRESPONDENCE**



To: Joshua Martinez

At: Atlanta

From: Crystal Jefferson

At: Dallas

Subject: POLICY COVERAGE CONFIRMATION **Date:** 19-Apr-2016

INSURED: Kahlig Enterprises, Inc.

POLICY NO.: GN522

CLAIM ID: 453279

ACCOUNT NO.: 85345

DATE OF LOSS: 12-Apr-2016

LOCATION: 611-723 Lockhill Selma
San Antonio, TX

INDEX NO.: 003091.32

LOSS ID.: 361163

PLEASE BE ADVISED THAT COVERAGE FOR THIS INSURED IS PROVIDED UNDER
AN AFFILIATED FM proVision POLICY.

A copy of the policy and the Mailing Instructions are attached for your reference. All policy related inquiries
should be directed to the Claims Coordinator – Richard Judd.

Special Handling information is shown below and attached where applicable.

SPECIAL HANDLING: YES (ATTACHED) NO

COMMENTS:

Additional Interest information will be obtained and forwarded when available.

All Additional Interests are shown in the policy.

Certificates of Insurance that apply to this loss are attached.

Mailing Instructions

Insured	Kahlig Auto Group		
Account No:	1-85345	Policy No:	GN522-00
Term:	01-September-2015 to 01-September-2016	Status:	New
Underwriter:	Brian Bueche	Office:	Dallas
Account Admin:	Diane Lohr	Date:	03-Sep-2015
Engineer:	John Wright		

Billing Producer

R-T Specialty, LLC 12404 Park Central Dr. Suite 380 Dallas, TX, 75251	Producer Code: PAC4
	Commission: 2.50%

Servicing Producer

Delivery Method: Electronic

General email address: None

R-T Specialty, LLC
12404 Park Central Dr.
Suite 380
Dallas, TX, 75251

Mail Contact: Wes Henry
Phone: 972-437-8730
Email: wes.henry@rtspecialty.com

Engineering Contact

Producer Contact:	Client Contact:	David Hoyer
Phone:	Phone:	210-426-3113
Email:	Email:	DHoyer@nplm.com

Special Mailing Instructions

Policy Instructions

Producer Instructions

Facultative Reinsurance

STATE/PROVINCE:TEXAS

Fire Marshall Report:	NO
Tax Lien Law:	NO
Special Investigative Unit (SIU) Required:	NO
Fraud Reporting Requirements:	Claims that appear to be fraudulent must be reported in writing by the Insurance Company to the Commissioner or Board or to an authorized governmental agency within 30 days.
Required Fraud Wording:	None

Special Requirements

<u>Special Requirements</u>	
Notice of Loss	Notice of Loss must be acknowledged within 15 business days after receiving notice and this acknowledgement must specify if any forms or additional information are required.
Response to Client	Written correspondence from Clients must be acknowledged within 30 calendar days after receipt.
Proof of Loss	Within 15 business days after receipt of the Proof of Loss, the claim must be accepted or denied. If more time is required to determine this, written notice of the need for additional time must be provided within this 15 day period and must provide reasons for the need for additional time.
Follow up to Client	After the Insurer receives all items, statements and forms required to complete final proof of loss, written notice of the acceptance or denial of the claim must be provided within 45 calendar days after the initial notice requesting additional time.
Claim Denials	Written notification of denials must state the reasons for the denial.



STATE/PROVINCE:

TEXAS

Claim Payments	Payments must be made within 5 business days after written concurrence of the payment amount. Any payments that do not meet this time limit shall be subject to interest at a rate of 18 percent per year together with reasonable attorney's fees.
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**Affiliated FM
Insurance Company**

General Change Endorsement

This endorsement is attached to and forms part of the following designated policy:

**Account Number: 1-85345
Policy Number: GN522**

**Endorsement Number: 01
Effective Date of Change: Sep 01, 2015**

Insured: Kahlig Enterprises, Inc.

All terms and conditions remain unchanged except:

The following changes are made to Form No. S-1, Declarations:

The Named Insured on this Policy is amended to read as follows:

Kahlig Enterprises, Inc., and its wholly or majority owned subsidiaries and any interest which may now exist or hereinafter be created or acquired which are owned, controlled or operated by any one or more of those named insureds.

Brian G. Bueche
BY: _____
Authorized Representative
Brian Bueche
Office: Dallas Operations BGB/crm
Date: Sep. 14, 2015

**Affiliated FM
Insurance Company**

General Change Endorsement

This endorsement is attached to and forms part of the following designated policy:

**Account Number: 1-85345
Policy Number: GN522**

**Endorsement Number: 02
Effective Date of Change: Sep 01, 2015**

Insured: Kahlig Enterprises, Inc.

All terms and conditions remain unchanged except:

The following changes are made to Form No. S-1, Declarations:

The address for location no. 13 under SECTION D, INSURANCE PROVIDED, is amended to read as follows:
13. 351-187 IH 35 South, New Braunfels, TX, 78130, Index No. 003091.31

Brian G. Bueche
BY: _____
Authorized Representative
Brian Bueche
Office: Dallas Operations BGB/crm
Date: Oct. 27, 2015

**Affiliated FM
Insurance Company**

General Change Endorsement

This endorsement is attached to and forms part of the following designated policy:

**Account Number: 1-85345
Policy Number: GN522**

**Endorsement Number: 03
Effective Date of Change: Sep 01, 2015**

Insured: Kahlig Enterprises, Inc.

All terms and conditions remain unchanged except:

The following changes are made to Form No. S-1, Declarations:

The following is added to SECTION H, SPECIAL TERMS AND CONDITIONS:

7. Motor Vehicle Exclusion

Section E., PROPERTY EXCLUDED, item 7., is amended to:

7. Motor vehicles licensed or unlicensed for highway use or owned by officers and employees of the Insured; satellites, aircraft and watercraft except while on land and in the process of being manufactured including storage of aircraft or watercraft prior to being sold.

Brian G. Bueche
BY: _____
Authorized Representative
Brian Bueche
Office: Dallas Operations BGB/pdl
Date: Nov. 19, 2015

**Affiliated FM
Insurance Company**

General Change Endorsement

This endorsement is attached to and forms part of the following designated policy:

**Account Number: 1-85345
Policy Number: GN522**

**Endorsement Number: 04
Effective Date of Change: Jan 29, 2016**

Insured: Kahlig Enterprises, Inc.

All terms and conditions remain unchanged except:

Additional Premium due now: \$1,568 US (pro-rata of \$2,663 US)

The following changes are made to Form No. S-1, Declarations:

The Policy Limit under SECTION C, POLICY LIMIT, is amended to read: \$115,868,766.

The following location is added under SECTION D, INSURANCE PROVIDED:

24. 201-205 South Interstate 35, New Braunfels, TX, 78130

Brian G. Bueche
BY: _____
Authorized Representative
Brian Bueche
Office: Dallas Operations BGB/crm
Date: Jan. 29, 2016

Loss Reporting and Contact Information Dallas Operations



Claims Manager:

Richard Judd
Affiliated FM Insurance Company
5700 Granite Parkway, Suite 700
Plano, TX 75024
Tel: 972-731-1879
richard.judd@fmglobal.com

Property Loss Reporting Procedure:

To ensure that you receive prompt claims service, be sure to report a loss immediately. This enables us to provide you a professional property adjuster to examine your loss. Your loss may give rise to a claim under your Affiliated FM Insurance Company policy.

Notice of Loss:

The notice and report of any loss under an Affiliated FM Insurance Company policy should be communicated by calling the 24-hour claims hotline: **1-877-NEW-LOSS (1) 877 639 5677**

If this first notice and report is made orally, it should be confirmed in writing including at least the same information as was provided in the oral first notice and report.

Leaving a Message:

When leaving a message, please include the following information:

- Name and phone number of person to contact
- A brief description of the loss

A claims adjuster will return your call promptly.

Account Engineer:

John Wright
Affiliated FM Insurance Company
5700 Granite Parkway, Suite 700
Plano, TX 75024
Tel: 972-731-1885
john.wright@affiliatedfm.com

Jurisdictional Services:

Call to inquire about or make arrangements
for North American jurisdictional services
1-800-926-9345

**TEXAS
IMPORTANT NOTICE**

To obtain information or make a complaint:

You may call AFFILIATED FM INSURANCE COMPANY's toll-free telephone number for information or to make a complaint at

1-800-926-9345

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

1-800-578-4677

You may write the Texas Department of Insurance at

P.O. Box 149104
Austin, TX 78714-9104
FAX (512) 475-1771
Web: <http://www.tdi.state.tx.us>
E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent or the company first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of this policy.



STANDARD FIRE INSURANCE POLICY

Affiliated FM Insurance Company
P. O. Box 7500
Johnston, Rhode Island 02919
1-800-343-7722

A STOCK INSURANCE COMPANY

DECLARATIONS	INSURED & MAILING ADDRESS	DATE OF ISSUE
Policy No.	Kahlig Auto Group	03-Sep-2015
GN522	9207 San Pedro Avenue	
Account No.	San Antonio, TX 78216	
1-85345		
Previous Policy No.		Policy Period:
New		12:01 A.M. Standard Time at location of property involved.
Replaces Binder No.		From: 01-Sep-2015
		To: 01-Sep-2016
		Years: One

It is important that the written portions of all policies covering the same property read exactly alike. If they do not, they should be made uniform at once.
INSURANCE IS PROVIDED AGAINST ONLY THOSE PERILS AND FOR ONLY THOSE COVERAGES INDICATED BELOW BY A PREMIUM CHARGE AND AGAINST OTHER PERILS AND FOR OTHER COVERAGES ONLY WHEN ENDORSED HEREON OR ADDED HERETO

PERIL(S) Insured Against and Coverage(s) Provided (Insert Name of Each)	AMOUNT	RATE	PREPAID POLICY PREMIUM	ANNUAL INSTALLMENT PREMIUM
As per Form S-1	\$ As per Form S-1	\$ Various	\$ 69,322.00	\$
	\$	\$	\$	\$

Item No.	Amount of Insurance	Co-Insurance	TOTAL PREMIUM FOR POLICY TERM	\$
			As per Form S-1	

Subject To Form No(s), attached hereto:

As per Form S-1

This policy shall not be valid unless countersigned by the duly authorized agent of the Company at Plano, Texas

Countersignature Date:

Dallas Operations
BGB/crm

Authorized Representative

IN CONSIDERATION OF THE PROVISIONS AND STIPULATIONS HEREIN OR ADDED HERETO AND OF the premium above specified, this Company for the term of years specified above from inception date shown above At 12:01 A.M. (Standard Time) to expiration date shown above At 12:01 A.M. (Standard Time) at location of property involved, to an amount not exceeding the amount(s) above specified, does insure the insured named above and legal representatives TO THE LESSER AMOUNT OF EITHER:

1. THE ACTUAL CASH VALUE OF THE PROPERTY AT THE TIME OF THE LOSS, OR
2. THE AMOUNT WHICH IT WOULD COST TO REPAIR OR REPLACE THE PROPERTY WITH MATERIAL OF LIKE KIND AND QUALITY WITHIN A REASONABLE TIME AFTER SUCH LOSS, WITHOUT ALLOWANCE FOR ANY INCREASED COST OF REPAIR OR RECONSTRUCTION BY REASON OF ANY ORDINANCE OR LAW REGULATING CONSTRUCTION OR REPAIR, AND WITHOUT COMPENSATION FOR LOSS RESULTING FROM INTERRUPTION OF BUSINESS OR MANUFACTURE, OR
3. TO AN AMOUNT NOT EXCEEDING THE AMOUNTS SPECIFIED ABOVE, BUT IN ANY EVENT FOR NO MORE THAN THE INTEREST OF THE INSURED, AGAINST ALL DIRECT LOSS BY FIRE, LIGHTNING AND BY REMOVAL FROM PREMISES ENDANGERED BY THE PERILS INSURED AGAINST IN THIS POLICY, EXCEPT AS HEREINAFTER PROVIDED, to the property described hereinafter while located or contained as described in this policy, or pro rata for five days at each proper place to which any of the property shall necessarily be removed for preservation from the perils insured against in this policy, but not elsewhere.

Assignment of this policy shall not be valid except with the written consent of this Company.

This policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated, which are hereby made a part of this policy, together with such other provisions, stipulations and agreements as may be added hereto, as provided in this policy.

1 CONCEALMENT, 2 FRAUD. This entire policy shall be void if, whether before or after a loss, the insured has wilfully concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof, or the interest of the insured therein, or in case of any fraud or false swearing by the insured relating thereto.

7 UNINSURABLE This policy shall not cover accounts, bills, AND currency, deeds, evidences of debt, money or EXCEPTED PROPERTY. securities; nor, unless specifically named hereon in writing, bullion or manuscripts.

11 PERILS NOT 12 INCLUDED. This Company shall not be liable for loss by fire or other perils insured against in this policy caused, directly or indirectly, by: (a) enemy attack by armed forces, including action taken by military, naval or air forces in resisting an actual or an immediately impending enemy attack; (b) invasion; (c) insurrection; (d) rebellion; (e) revolution; (f) civil war; (g) usurped power; (h) order of any civil authority except acts of destruction at the time of and for the purpose of preventing the spread of fire, provided that such fire did not originate from any of the perils excluded by this policy; (i) neglect of the insured to use all reasonable means to save and preserve the property at and after a loss, or when the property is endangered by fire in neighboring premises; (j) nor shall this Company be liable for loss by theft.

25 OTHER INSURANCE. Other insurance may be prohibited or the amount of insurance may be limited by endorsement attached hereto.

28 CONDITIONS SUSPENDING OR RESTRICTING INSURANCE. UNLESS OTHER-29 WISE PROVIDED IN WRITING ADDED HERETO THIS COMPANY SHALL NOT 30 BE LIABLE FOR LOSS OCCURRING

(a) while the hazard is increased by any means within the control or knowledge of the insured; or

(b) while a described building, whether intended for occupancy by owner or tenant, is vacant or unoccupied beyond a period of sixty consecutive days; or

(c) as a result of explosion or riot, unless fire ensue, and in that event for loss by fire only.

38 OTHER PERILS 39 OR SUBJECTS. Any other peril to be insured against or subject of insurance to be covered in this policy shall be by endorsement in writing hereon or added hereto.

42 ADDED PROVISIONS. The extent of the application of insurance under this policy and of the contributions to be made by this company in case of loss, and any other provision or agreement not inconsistent with the provisions of this policy, may be provided for in writing added hereto, but no provision may be waived except such as by the terms of this policy is subject to change.

49 WAIVER 50 PROVISIONS. No permission affecting this insurance shall exist, or waiver of any provision be valid, unless granted herein or expressed in writing added hereto. No provision, stipulation or forfeiture shall be held to be waived by any requirement or proceeding on the part of this company relating to appraisal or to any examination provided for herein.

56 CANCELLATION 57 OF POLICY. This policy shall be cancelled at any time at the request of the insured, in which case this Company shall, upon demand and surrender of this policy, refund the excess of paid premium above the customary short rates for the expired time. This policy may be cancelled at any time by this Company by giving to the insured a five days' written notice of cancellation with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium (if not tendered) will be refunded on demand.

68 MORTGAGEE 69 INTERESTS AND 70 OBLIGATIONS. If loss hereunder is made payable, in whole or in part, to a designated mortgagee not named herein as the insured, such interest in this policy may be cancelled by giving to such mortgagee a ten days' written notice of cancellation.

If the insured fails to render proof of loss such mortgagee, upon notice, shall render proof of loss in the form herein specified within sixty (60) days thereafter and shall be subject to the provisions hereof relating to appraisal and time of payment and of bringing suit. If this Company shall claim that no liability existed as to the mortgagor or owner, it shall, to the extent of payment of loss to the mortgagee, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue; or it may pay off the mortgage debt and require an assignment thereof and of the mortgage. Other provisions

84 relating to the interests and obligations of such mortgagee may be added hereto by agreement in writing.

86 PRO RATA LIABILITY. This Company shall not be liable for a greater proportion of any loss than the amount hereby insured shall bear to the whole insurance covering the property against the peril involved, whether collectible or not.

90 REQUIREMENTS IN 91 CASE LOSS OCCURS. The insured shall give immediate written notice to this Company of any loss, protect the property from further damage, forthwith separate the damaged and undamaged personal property, put it in the best possible order, furnish a complete inventory of the destroyed, damaged and undamaged property, showing in detail quantities, costs, actual cash value and amount of loss claimed; and within sixty days after the loss, unless such time is extended by writing by this Company, the insured shall render to this Company a proof of loss, signed and sworn to by the insured, stating the knowledge and belief of the insured as to the following: the time and origin of the loss, the interest of the insured and of all others in the property, the actual cash value of each item thereof and the amount of loss thereto, all encumbrances thereon, all other contracts of insurance, whether valid or not, covering any of said property, any changes in the title, use, occupation, location, possession or exposures of said property since the issuing of this policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of loss and whether or not it then stood on leased ground, and shall furnish a copy of all the descriptions and schedules in all policies and, if required, verified plans and specifications of any building, fixtures or machinery destroyed or damaged. The insured, as often as may be reasonably required, shall exhibit to any person designated by this Company all that remains of any property herein described, and submit to examinations under oath by any person named by this Company, and subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by this Company or its representative, and shall permit extracts and copies thereof to be made.

123 APPRAISAL. In case the insured and this Company shall fail to agree as to the actual cash value or the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty days of such demand. The appraisers shall first select a competent and disinterested umpire; and failing for fifteen days to agree upon such umpire, then, on request of the insured or this Company, such umpire shall be selected by a judge of a court of record in the state in which the property covered is located. The appraisers shall then appraise the loss, stating separately actual cash value and loss to each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with this Company shall determine the amount of actual cash value and loss. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and umpire shall be paid by the parties equally.

141 COMPANY'S 142 OPTIONS. It shall be optional with this Company to take all, or any part, of the property at the agreed or appraised value, and also to repair, rebuild or replace the property destroyed or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention so to do within thirty days after the receipt of the proof of loss herein required.

148 ABANDONMENT. There can be no abandonment to this Company of any property.

150 WHEN LOSS 151 PAYABLE. The amount of loss for which this Company may be liable shall be payable sixty days after proof of loss, as herein provided, is received by this company and ascertainment of the loss is made either by agreement between the insured and this Company expressed in writing or by the filing with this Company of an award as herein provided.

157 SUIT. No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless all the requirements of this policy shall have been complied with, and unless commenced within twelve months next after inception of the loss.

162 SUBROGATION. This Company may require from the insured an assignment of all right of recovery against any party for loss to the extent that payment therefor is made by this Company.

In Witness Whereof, this Company has executed and attested these presents; but this policy shall not be valid unless countersigned by the duly authorized Agent of this Company at the agency hereinbefore mentioned.


Villanueva
Secretary


Reason
President

DECLARATIONS

A. POLICY TERM:

01-September-2015 to 01-September-2016

B. NAMED INSURED:

Kahlig Auto Group, and its wholly or majority owned subsidiaries and any interest which may now exist or hereinafter be created or acquired which are owned, controlled or operated by any one or more of those named insureds.

C. POLICY LIMIT:

This company's liability will not exceed the respective Sub-Limits of Liability shown elsewhere for the coverages involved. However, in no event will the company's total Limit of Liability exceed \$111,617,766 as a result of any one occurrence, regardless of the number of perils, coverages or locations involved.

D. INSURANCE PROVIDED:

All risks of direct physical loss or damage, as defined and limited herein, on Real Property, Personal Property, Stock and Supplies, Business Interruption, including the Extensions of Coverage applying at the following described locations:

Location Schedule:

1. 10703 Southwest Loop 410, San Antonio, TX, 78211, Index No. 003091.29
2. 1095 North Business IH 35, New Braunfels, TX, 78130
3. 110 North Business IH 35, New Braunfels, TX, 78130
4. 11946 North Interstate 35, San Antonio, TX, 78233
5. 12258-12230 IH 35 N, San Antonio, TX, 78233
6. 1314 US Highway 90 West, Castroville, TX, 78009
7. 15670-15678 N. IH 35, Selma, TX, 78154
8. 1875-1979 South Business IH 35, New Braunfels, TX, 78130
9. 20985-21591 West IH 10, San Antonio, TX, 78257, Index No. 003091.30
10. 26923 H 10 West, Boerne, TX, 78006
11. 2700 Highway 90 West, Del Rio, TX, 78840
12. 348 South Interstate 35, New Braunfels, TX, 78130
13. 351-187 IH 35 South, San Antonio, TX, 78130, Index No. 003091.31
14. 3566 IH 35 S, New Braunfels, TX, 78130
15. 535-619 South Seguin, New Braunfels, TX, 78130
16. 611-723 Lockhill Selma, San Antonio, TX, 78216, Index No. 003091.32
17. 7206 Blanco Road, San Antonio, TX, 78216
18. 799 South Interstate 35, New Braunfels, TX, 78130
19. 9207, 9211 San Pedro Avenue & 9200 Lorene, San Antonio, TX, 78216, Index No. 074634.46
20. 9333 San Pedro & 9503 Lorene, San Antonio, TX, 78216
21. 9626-9714 San Pedro Avenue, San Antonio, TX, 78216
22. 9807 San Pedro Avenue, San Antonio, TX, 78216
23. Veterans Boulevard, Eagle Pass, TX, 78852

DECLARATIONS

E. SUB-LIMITS:

Unless otherwise stated below, the following sub-limits of liability will apply on a per occurrence basis for all coverages provided, and are part of, not in addition to, the above limit(s) of liability.

For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

1. \$10,000,000 Earth Movement (Annual Aggregate, for all coverages provided)
2. \$10,000,000 Flood (Annual Aggregate, for all coverages provided)
3. \$250,000 Extra Expense

F. EXTENSIONS OF COVERAGE (EOC) SUB-LIMITS:

The following sub-limits of liability will apply on a per occurrence basis for all coverages provided, unless otherwise stated below, and are part of, not in addition to the above limit(s) of liability.

For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

All Risk - Extensions of Coverage Sub-Limits:

1. \$100,000 Fire Fighting Materials and Expenses
2. \$100,000 Professional Fees
3. \$250,000 Expediting Expenses
4. \$100,000 Trees, Shrubs, Plants and Lawns not to exceed a limit of \$1,000 per item
5. \$250,000 Pavements and Roadways
6. \$50,000 Land and Water Clean Up Expense (Annual Aggregate, for all coverages provided)
7. \$250,000 Installation Floater
8. \$2,500,000 Newly Acquired Property
9. \$1,000,000 Unnamed Locations Coverage
10. \$250,000 Fine Arts
11. \$500,000 Accounts Receivable
12. \$500,000 Valuable Papers and Records
13. \$500,000 Electronic Data Processing, Data and Media
14. \$500,000 Demolition and Increased Cost of Construction
 - Policy Limit
 - Item A: Undamaged Portion
 - \$1,000,000
 - \$1,000,000
 - \$1,000,000
 - \$1,000,000
 - Errors and Omissions
 - Transit
15. \$1,000,000 Terrorism Coverage and the Supplemental United States Certified Act of Terrorism Endorsement
 - A. United States Certified Act of Terrorism coverage
 - B. Terrorism Coverage for Locations Outside of the United States (Annual Aggregate, for all coverages provided)
16. \$250,000 Fungus, Mold or Mildew
17. \$100,000 Deferred Payment
18. \$100,000 Off-Premises Service Interruption - Property Damage
19. \$100,000 Arson or Theft Reward
20. \$100,000 Money and Securities
21. \$100,000 Locks and Keys
22. \$100,000 Tenants Legal Liability and Expense
23. \$100,000 Soft Costs

DECLARATIONS

Business Interruption - Extensions of Coverage Sub-Limits:

- A. 30 Days of Ordinary Payroll
- B. 30 Days of Civil or Military Authority
- C. \$250,000 Off-Premises Service Interruption
- D. \$250,000 Contingent Business Interruption
- E. \$250,000 Research and Development Expense
- F. \$250,000 Ingress/Egress
- G. \$100,000 Tax Treatment
- H. 30 Days of Extended Period of Indemnity

The above Extensions of Coverage sub-limits of liability will be the maximum payable for property damage and business interruption (if applicable) resulting from such property damage, or any combination thereof.

With respect to items A. and H. the number of days is part of and not in excess to any other outstanding sub-limits of liability.

Section D., Extension of Coverage Item 17. Terrorism is extended to Section D. Extension of Coverage Item 9., Unnamed Locations and Section C. Additional Coverage Item 4., Property Removed from a Location.

The following sub-limits of liability will apply on a per occurrence basis for all coverages provided, unless otherwise stated below, and are part of, not in addition to the above limit(s) of liability.

Section D., Extension of Coverage Item 9., Unnamed Locations and Section C. Additional Coverage Item 4., Property Removed from a Location are subject to a sub-limit of liability of \$100,000 (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined applying to Section D., Extension of Coverage Item 17. Terrorism. Also, a \$100,000 Flood sub-limit of liability (if provided) (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined applies to Section D., Extension of Coverage Item 17. Terrorism. These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

G. DEDUCTIBLE AMOUNT:

The following deductible amounts shall apply per occurrence for loss or damage under this policy in the respective loss categories indicated:

- 1. \$100,000 Earth Movement (per occurrence for each location for all coverages provided).
- 2. \$100,000 Flood (per occurrence for each location for all coverages provided).
- 3. \$50,000 Wind and/or Hail (per occurrence for each location for all coverages provided).
- 4. Boiler and Machinery:

A. Property Damage: \$10,000

B. Business Interruption Waiting Period:

In the event of loss or damage insured by this policy, no coverage is provided for business interruption unless and until the period of interruption exceeds 24 hours beginning from the time of loss. The company's liability commences only after, and does not include, the waiting period.

DECLARATIONS

5. Off Premises Service Interruption Qualifying Period:

In the event of loss or damage covered by this policy, no coverage is provided unless the service interruption exceeds 24 hours beginning from the time of loss or damage covered by this policy. If the service interruption exceeds 24 hours, the loss will be calculated from the time of loss or damage covered by this policy, subject to the policy deductible.

6. Electronic Data Processing Equipment, Data and Media Deductible:

In the event of loss or damage to Electronic Data Processing (EDP) Equipment, Data and Media insured by this policy caused by the malicious introduction of a machine code or instruction, no coverage is provided unless the period of interruption exceeds 48 hours beginning from the time of insured loss. The company's liability commences only after, and does not include, the Waiting Period specified.

If the period of interruption exceeds 48 hours, the insured loss will be calculated based upon the amount of insured loss in excess of the Waiting Period and subject to a combined deductible for all coverages of \$10,000 per location.

Any period in which business operations or services would have not been maintained, or any period in which goods would have not been produced will not be included as part of or serve to reduce the effect of any Waiting Period.

7. \$10,000 All Other Losses.

H. SPECIAL TERMS AND CONDITIONS:

1. **Extended Terrorism Coverage Endorsement**

Section F. Perils Excluded, Group I. Item 2. f) is amended to:

f. Terrorism, including action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism, except to the extent provided in Section D, Extensions of Coverage, 17. Terrorism. However, if direct loss or damage by fire results from any of these acts (unless committed by or on behalf of the insured), then this Policy covers only to the extent the Actual Cash Value of the resulting direct loss or damage by fire to property insured. This coverage exception for such resulting fire loss or damage does not apply to any coverage provided in any Business Interruption Endorsement, if any, which may be a part of this Policy, or any extension of such coverage, or to any other coverages provided by this Policy.

Any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage which may be covered elsewhere in this Policy.

If any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, also comes within the terms of the hostile or warlike action exclusion of this Policy in Section F, Group I, 2.a), the hostile or warlike action exclusion applies in place of this exclusion.

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, this exclusion applies in place of the nuclear hazard exclusion of this Policy, Section F, Group I, 1.

DECLARATIONS

2. United States Certified Act of Terrorism 2015

As respects the United States, its territories and possessions and the Commonwealth of Puerto Rico, the definition of terrorism contained in Section H. DEFINITIONS is declared null and void and it is agreed that an event defined as a Certified Act of Terrorism under the terms of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy shall be considered terrorism within the terms of this policy. Notwithstanding anything contained in this policy to the contrary, this policy provides coverage for direct physical loss or damage to insured property and any resulting Business Interruption loss, as provided in the policy, caused by or resulting from a Certified Act of Terrorism only to the extent coverage is provided under the terms and conditions of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy. Any difference in limit between loss recoverable under the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT and this policy is not recoverable under this policy.

3. Contingent Business Interruption Coverage Territory

Coverage provided in Section 5., EXTENSIONS OF COVERAGE, item D. Contingent Business Interruption Coverage, is limited to property anywhere in the world except in the following countries, provinces or jurisdictions;

Afghanistan; Albania; Algeria; Angola; Armenia; Azerbaijan; Bangladesh; Belarus; Belize; Benin; Bhutan; Botswana; Burkina Faso; Burundi; Cambodia; Cameroon; Central African Republic; Chad; Cote D'Ivoire; Cuba; Democratic Republic of the Congo; Djibouti; Egypt; Equatorial Guinea; Eritrea; Ethiopia; Fiji; Gabon; Gambia; Georgia; Ghana; Guinea; Guinea-Bissau; Guyana; Haiti; Jammu and Kashmir in India; Iran; Iraq; Israel; Gaza Strip, West Bank and territories north of Latitude 32.80 N in Israel; Laos; Lebanon; Lesotho; Liberia; Libya; Madagascar; Malawi; Mali; Mauritania; Mauritius; Moldova; Mongolia; Montenegro; Montserrat; Mozambique; Myanmar; Namibia; Nepal; Niger; Nigeria; North Korea; Pakistan; Papua New Guinea; Aksai Chin and Trans-Karakoram Tract in People's Republic of China; Republic of the Congo; Chechen Republic of the Russian Federation; Rwanda; Senegal; Seychelles; Sierra Leone; Somalia; Sri Lanka; South Sudan; Sudan; Swaziland; Syria; Tajikistan; Tanzania; Timor-Leste; Togo; Agri, Batman, Bingol, Bitlis, Diyarbakir, Elazig, Hakkari, Igdır, Mardin, Mus, Sanliurfa, Siirt, Sırnak and Van in Turkey; Turkmenistan; Uganda; Ukraine; Crimea Region of Ukraine; Uzbekistan; Venezuela; Yemen; Zambia; and Zimbabwe.

4. Specific Flood Exclusion

Coverage provided by Section C., ADDITIONAL COVERAGE, item 2. Flood: does not apply to any property situated at the following location(s):

- 3. 110 North Business IH 35, New Braunfels, TX, 78130
- 7. 15670-15678 N. IH 35, Selma, TX, 78154
- 13. 351-187 IH 35 South, San Antonio, TX, 78130
- 15. 535-619 South Seguin, New Braunfels, TX, 78130

DECLARATIONS

5. Notice of Cancellation

Section G., GENERAL CONDITIONS, item 17., Cancellation is replaced by the following wording:

17. Cancellation:

- a) The first named Insured may cancel this policy at any time by surrendering the policy to this company or by mailing or delivering advance written notice of cancellation to this company.
- b) This company may cancel this policy by mailing or delivering written notice of cancellation to the first named insured at the address as stated in the declarations section, not less than:
 - 1) Sixty (60) days before the effective date of cancellation; or
 - 2) Ten (10) days before the effective date of cancellation for non-payment of premium.
- c) If this policy is cancelled, written notice of cancellation also will be mailed or delivered to Lenders Loss Payables and Mortgagees as their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the first named Insured and on file with this company, not less than:
 - 1) Sixty (60) days before the effective date of cancellation; or
 - 2) Ten (10) days before the effective date of cancellation for non-payment of premium; or
 - 3) Ten (10) days after the first named Insured cancels this policy.

Proof of mailing or delivery will be sufficient proof of notice.

- d) This company will return unearned premium to the first named Insured:
 - 1) On a pro-rata basis if this company cancels this policy.
 - 2) At 90% of the pro-rata basis if the first named Insured cancels this policy.

DECLARATIONS

6. **Mortgagee and Lenders Loss Payable Interests and Obligations**

The following is added to Section G. GENERAL CONDITIONS.

Mortgagee/Lenders Loss Payable:

- a) Loss or damage, if any, to specified property insured under this policy shall be payable to each specified Mortgagee and Lenders Loss Payable (hereinafter collectively called Lender) as its interest may appear, in addition to the First Named Insured or as the First Named Insured directs.

- b) This insurance as to the interest of the Lender shall not be invalidated by:

- 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
 - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
 - 3) Change in the title or ownership of the property.
 - 4) Change to a more hazardous occupancy.

The Lender will notify this company of any known change in ownership, occupancy, or hazard and, within 10 days of written request by this company, may pay the increased premium associated with such known change. If the Lender fails to pay the increased premium, all coverage under this policy will cease.

- c) If the First Named Insured fails to render proof of loss within the time provided in this policy, the Lender shall render proof of loss within sixty days after having knowledge of the First Named Insured's failure in the form and manner provided by this policy, and, further, shall be subject to the provisions of this policy relating to Appraisal, Legal Action Against this Company, When Loss Payable and the time of payment and bringing suit.
- d) Whenever this company shall pay the Lender for loss or damage under this policy and shall deny payment to the debtor, mortgagor or owner, this company shall, to the extent of such payment, be subrogated to the rights of the Lender under all collateral held to secure the debt or mortgage. No subrogation shall impair the right of the Lender to recover the full amount due. At its option, this company may pay to the Lender the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender to this company, and the remaining debt or mortgage will be paid to this company.
- e) This company may invoke this policy's Suspension clause. The suspension of insurance will apply to the interest of the Lender in any machine, vessel, or part of any machine or vessel subject to the suspension. This company will provide the Lender at the last reported address a copy of the suspension notice.
- f) All notices sent to the Lender shall be sent to its last reported address below.

Subject to this provision, loss, if any, under this policy will be adjusted with the First Named Insured and made payable to or as the First Named Insured directs and to the following:

Lender

Location/Interest

As their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the First Named Insured and on file with this company.

DECLARATIONS

I. INDEX OF FORMS:

The following forms are made part of this policy:

<u>Title</u>	<u>Form No.</u>	<u>Edition</u>
Standard Fire Insurance Policy	1677-A	(10/13)
Declarations	S-1 PRO 3100	(1/08)
All Risk Property Coverage	PRO AR 3100	(10/09)
Business Interruption Endorsement Gross Earnings/Rents/ Extra Expense	PRO GE-EE 3200	(8/11)
Supplemental United States Certified Act of Terrorism Endorsement	7312	(1/15)
Texas Special Mandatory Endorsement	6810	(10/09)
Application of Policy to Date and Time Recognition	PRO DTR 2400	(11/00)



All Risk Property Coverage

A. PERILS INSURED

This policy insures against all risks of direct physical loss or damage to insured property except as excluded under this policy.

B. PROPERTY INSURED

This policy insures the following property, if shown in the declarations section, at or within 1,000 feet of a **described location**, unless excluded, that the insured:

- I. Owns;
- II. Operates;
- III. Controls; or
- IV. Is under the obligation to insure for direct physical loss or damage, to the extent of such obligation.

1. Real Property

If this policy insures real property it includes:

- a) New construction;
- b) Additions under construction;
- c) Alterations and repairs to buildings or structures;
- d) Materials, equipment and supplies for new construction, additions, buildings or structures;
- e) Temporary structures;
- f) Machinery, equipment, and fixtures that are permanently attached to the building;
- g) Personal property that is used to maintain or service the building;
- h) Above and below ground pipes, tanks, flues and drains;
- i) Buildings or structures donated to the Insured;
- j) Helipads and associated attached equipment.

All if not covered by other insurance. This policy also covers contractors' interests in a) through j) above to the extent that the Insured has agreed, prior to loss, to keep such interests insured.



2. Personal Property

If this policy insures personal property, it includes:

- a) Machinery and equipment;
- b) Stock, supplies, and **raw materials**;
- c) Furniture and fixtures;
- d) **Electronic data processing equipment**;
- e) **Processing water**;
- f) Molds and dies;
- g) Outside property;
- h) Improvements and Betterments in which the Insured has an insurable interest;
- i) Personal property of directors, officers and employees of the Insured, while at a **described location**;
- j) The Insured's interest in and legal liability for property of others, while at a **described location**.

C. ADDITIONAL COVERAGE

1. Earth Movement:

- a) This policy is extended to cover direct physical loss or damage to insured property caused by or resulting from **earth movement**.

Liability for such loss or damage by **earth movement** will not exceed the annual aggregate sub-limit as specified in the declarations section in any one policy year. This policy does not pay for **earth movement** commencing before the effective or after the expiration date and time of this policy.

- b) This coverage does not apply to:

- 1) Unnamed Locations; and
- 2) Errors and Omissions.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.

2. Flood:

- a) This policy is extended to cover direct physical loss or damage to insured property caused by or resulting from **flood**.

Liability for such loss or damage by **flood** will not exceed the annual aggregate sub-limit as specified in the declarations section in any one policy year. This policy does not pay for **flood** commencing before the effective or after the expiration date and time of this policy.



b) This coverage does not apply to:

- 1) Unnamed locations; and
- 2) Errors and omissions.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.

3. Debris Removal:

This policy covers the reasonable and necessary expense of removal of debris from a **location** remaining as the direct result of direct physical loss or damage insured by this policy to insured property.

There is no coverage for the expense of removing or disposing of:

- a) Contaminated uninsured property; or
- b) The contaminant in or on uninsured property;

Whether or not the contamination resulted from direct physical loss or damage insured by this policy.

This Additional Coverage covers expense to remove, dispose of or clean up the actual but not the suspected presence of **contaminant(s)**.

4. Property Removed from a Location:

This policy covers insured property when removed from a **location** in order to avoid or prevent immediately impending direct physical loss or damage insured by this policy to insured property.

This coverage does not include property covered by other insurance.

This coverage applies for a period:

- a) Of 120 days from the date of removal; but
- b) Not beyond the termination or expiration date of this policy.

5. Protection and Preservation of Property:

This policy covers the reasonable and necessary costs incurred to temporarily protect or preserve insured property, at a **location**, in order to avoid or prevent immediately impending direct physical loss or damage insured by this policy to insured property.

This coverage does not cover costs incurred to temporarily protect or preserve property to avoid or prevent immediately impending physical loss or damage covered by Section D., Extensions of Coverage, Item 17. **Terrorism**.

6. Decontamination Costs:

If insured property is contaminated as a direct result of direct physical damage insured by this policy and there is in force at the time of the loss any law or ordinance regulating **contamination** due to the actual but not the suspected presence of **contaminant(s)**, then this policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated insured property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of insured property so contaminated due to the



actual but not the suspected presence of **contaminant(s)** as a direct result of direct physical loss or damage insured by this policy.

There is no coverage for the expense of removing or disposing of:

- a) Contaminated uninsured property; or
- b) The **contaminant** in or on uninsured property;

Whether or not the **contamination** results from direct physical loss or damage insured by this policy.

D. EXTENSIONS OF COVERAGE

The following coverages apply, subject to the terms and conditions of this policy, and to the extent shown in the declarations section.

1. Fire Fighting Materials and Expenses:

This policy is extended to cover expenses:

- a) Incurred by the Insured to replace fire extinguishing materials:
 - 1) Lost;
 - 2) Expended; or
 - 3) Destroyed.

and

- b) For fire-fighting expenses incurred by or imposed upon the Insured in connection with insured property.

There will be no coverage for charges incurred for false alarm.

2. Professional Fees:

This policy is extended to cover the reasonable fees paid to:

- a) Auditors;
- b) Accountants;
- c) Architects;
- d) Engineers; or
- e) Other professionals;

For producing and certifying particulars or details of the Insured's business in order to determine the amount of loss payable under this policy.

There will be no coverage for the expenses of:

- a) Attorneys.
- b) Public adjusters, loss appraisers, loss consultants or any of their subsidiaries or associated entities.



c) The Insured's own employees.

3. Expediting Expenses:

a) This policy is extended to cover Expediting Expenses which are the reasonable and necessary costs to;

- 1) Make temporary repairs to; or
- 2) Expedite the permanent repair or replacement of;

Insured property that has sustained direct physical loss or damage insured by this policy.

b) Expediting Expenses do not include:

- 1) Expenses payable elsewhere in this policy; or
- 2) The cost of permanent repair or replacement.

4. Trees, Shrubs, Plants and Lawns:

This policy is extended to cover direct physical loss or damage to:

- a) Trees;
- b) Shrubs;
- c) Plants; and
- d) Lawns;

By **named perils**.

5. Pavements and Roadways:

This policy is extended to cover direct physical damage to:

- a) Pavements; and
- b) Roadways;

By **named perils**.

6. Land and Water Clean Up Expense:

This policy is extended to cover the reasonable and necessary expense to remove, dispose of or clean up the actual but not the suspected presence of **contaminants** from land or water at a **location**, when such land or water is contaminated due to direct physical damage insured by this policy.

There will be no coverage unless such expenses are reported to this company within 180 days of the date of direct physical damage.



7. Installation Floater:

This policy is extended to cover:

- a) Materials;
- b) Equipment;
- c) Machinery; and
- d) Supplies;

Designated by the Insured for use in construction or installation projects at locations other than **described locations**.

Coverage begins at the time covered property arrives at the site of installation and ends when:

- a) The interest of the Insured ceases;
- b) The property has been accepted by the owner or purchaser; or
- c) The policy expires;

Whichever occurs first.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.

The specified sub-limit for this extension of coverage is the maximum amount payable in any one **occurrence** regardless of the number of locations, coverages or extensions of coverage. The sub-limit for this extension of coverage cannot be combined with any other sub-limits in this policy.

8. Newly Acquired Property:

This policy is extended to cover property that is newly acquired.

This coverage terminates:

- a) When the newly acquired property is reported to this company; or
- b) 120 days after the date of acquisition; or
- c) At the termination or expiration of this policy;

Whichever occurs first.

There will be no coverage provided under this extension for property while in transit.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.

The specified sub-limit for this extension of coverage is the maximum amount payable in any one **occurrence** regardless of the number of locations, coverages or extensions of coverage. The sub-limit for this extension of coverage cannot be combined with any other sub-limits in this policy.



9. Unnamed Locations:

This policy is extended to cover insured property:

- a) At a place other than a **described location**, a Newly Acquired Property, or an Installation Floater location; and
- b) Not otherwise insured, including but not limited to:
 - 1) Stock Stored Off-Site;
 - 2) Property at Exhibitions;
 - 3) Salespersons Samples; or
 - 4) Office, Manufacturing and Other Equipment Off-Site.

There will be no coverage provided under this extension for property in transit.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U.S. Virgin Islands; and Canada.

The specified sub-limit for this extension of coverage is the maximum amount payable in any one **occurrence** regardless of the number of locations, coverages or extensions of coverage. The sub-limit for this extension of coverage cannot be combined with any other sub-limits in this policy.

10. Fine Arts:

This policy is extended to cover **fine arts** at a **location**.

There will be no coverage for:

- a) Breakage of any **fine arts** unless the breakage results from a **named peril**.
- b) Loss or damage to any **fine arts** as a result of restoring, repairing or retouching processes.

11. Accounts Receivable:

This policy is extended to cover amounts due the Insured from customers, which the Insured is unable to collect, as a result of direct physical loss or damage insured by this policy to accounts receivable records.

Coverage includes:

- a) Interest charges on any loan to offset impaired collections pending repayment of sums that can not be collected.
- b) Collection expenses in excess of normal collection costs.
- c) Other reasonable expenses incurred by the Insured in recreating records of accounts receivable.

12. Valuable Papers and Records:

This policy is extended to cover **valuable papers and records**.



13. Electronic Data Processing (EDP) Media and Data:

This policy is extended to cover:

a) EDP media; and

b) EDP data.

14. Demolition and Increased Cost of Construction:

a) This policy is extended to cover the following when incurred by the Insured as a direct result of enforcement of a law or ordinance, when the law or ordinance:

- 1) Regulates the demolition, construction, repair, replacement or use of buildings or structures;
- 2) Is enforced as a direct result of direct physical loss or damage insured by this policy at a **location**; and
- 3) Is in force at the time of such loss or damage.

b) Coverage is provided for:

Item A: The reasonable and necessary cost to replace, with materials of like kind and quality, the physically undamaged portions of the insured buildings or structures when those portions are demolished;

Item B: The reasonable and necessary cost to demolish and clear any physically undamaged portions of the insured buildings or structures;

Item C: The reasonable and necessary cost incurred to actually rebuild the physically damaged and the undamaged portion, whether or not demolition is required, of such insured buildings or structures with materials and in a manner to comply with the minimum requirement of the law or ordinance;

Item D: The **Business Interruption** (if covered) loss during the additional time required for making the changes to the building or structures in coverage A, B and C above.

c) There will be no coverage for:

- 1) Any cost incurred as a direct or indirect result of enforcement of any law or ordinance regulating any form of **contamination, or fungus, mold or mildew**.
- 2) Any cost incurred due to any law or ordinance with which the Insured was legally obligated to comply prior to the time of the insured direct physical loss or damage.
- 3) Vacant or Unoccupied Locations subject to the terms and conditions in Section G, General Conditions, Item 7.

15. Errors and Omissions:

This policy is extended to cover direct physical loss or damage that would not be payable solely because of an error or unintentional omission:

a) In the description or address of a property, insured by this policy, which existed: at the inception date of this policy; or in any subsequent amendments to this policy.

b) Through failure to include any **location**:



- 1) Owned;
- 2) Occupied; or
- 3) Newly acquired;

By the Insured at the inception date or during the term of this policy.

- c) Which results in cancellation of insured property under this policy.

Coverage applies to the extent this policy would have provided coverage, had the error or unintentional omission not been made.

There will be no coverage:

- a) If coverage is found in whole or in part elsewhere in this policy.
- b) Due to any error or unintentional omission in the declaration of values, or in the description of the type of coverage or property.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.

16. Transit:

- a) This policy is extended to cover the following personal property, not otherwise excluded, while in transit within the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada:
 - 1) Personal property owned by the Insured.
 - 2) Personal property of others to the extent of the Insured's interest or legal liability while in the actual or constructive custody of the Insured.
 - 3) Personal property shipped to others on Free on Board (FOB), Cost and Freight (C&F), or similar terms. The Insured's contingent interest in such shipments is admitted.
- b) This extension includes:
 - 1) Direct physical loss or damage to insured property occasioned by:
 - (a) Acceptance of fraudulent bills-of-lading, shipping or messenger receipts by the Insured, Insured's agent, customer or consignee(s).
 - (b) Any unauthorized person(s) representing themselves to be the proper party(ies) to receive the property for shipment or to accept it for delivery.
 - 2) General average and salvage charges on shipments covered while waterborne.
- c) There will be no coverage for:
 - 1) Property shipped by mail.
 - 2) Shipments by air unless made via regularly scheduled airlines.
 - 3) Waterborne shipments via the Panama Canal or waterborne shipments to and from:



- (a) Alaska.
 - (b) Hawaii.
 - (c) Commonwealth of Puerto Rico.
 - (d) Virgin Islands.
- 4) Any transporting vehicle.
 - 5) Property excluded elsewhere in this policy.
- d) Coverage begins:
- 1) From the time the property leaves the original point of shipment for the commencement of transit; and
 - 2) Continuously in the due course of transit;
- Until delivered at destination.
- e) Additional exclusions, conditions and provisions:
- 1) Coverage is excluded for any consequential loss beyond the direct physical loss or damage to the insured property.
 - 2) Coverage is excluded for property insured under any import or export ocean marine insurance. Coverage on export shipments not insured under ocean marine policies does not extend beyond the time when the property is loaded on board overseas vessel or aircraft. Coverage on import shipments not insured under ocean cargo policies does not attach until after discharge from overseas vessel or aircraft.
 - 3) Permission is granted to the Insured, without prejudice to this insurance, to accept ordinary bills of lading used by carriers, including:
 - (a) Released and/or under valued bills of lading.
 - (b) Shipping or messenger receipts.
 - 4) The Insured may waive subrogation against railroads under sidetrack agreements.
 - 5) The Insured may not enter into any special agreement with carriers releasing them from their common law or statutory liability.

17. Terrorism:

This policy covers direct physical loss or damage to insured property caused by or resulting from **terrorism**, but only at a **described location(s)**.

Any act which satisfies the definition of **terrorism** provided in Section H., Definitions, or in any **terrorism** endorsement to this policy, will not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk which may be covered elsewhere in this policy. Amounts recoverable under this extension are excluded from coverage elsewhere in this policy.

If any Business Interruption Endorsement is part of this policy, any coverage provided by any such endorsement or by any extension of such coverage will not apply to any loss resulting from the **actual cash value** portion of direct physical loss or damage by fire caused by or resulting from **terrorism**.



This extension does not cover loss or damage which also comes within the terms of Section F., Perils Excluded, Group I, Item 2.a), or Section F., Perils Excluded, Group I, Item 2.c).

This extension does not in any event cover loss or damage directly or indirectly caused by or resulting from any of the following, regardless of any other cause or event, whether or not insured under this policy contributing concurrently or in any other sequence to the loss:

- a) The use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination or that involves the discharge, explosion, or use of any nuclear device, weapon, or material employing or involving nuclear fission, fusion, or radioactive force, whether in time of peace or war, and regardless of who commits the act; or
- b) The dispersal or application of pathogenic or poisonous biological or chemical materials; or
- c) The release of pathogenic or poisonous biological or chemical materials, and it appears that one purpose of the **terrorism** was to release such materials; or
- d) Action taken to prevent, defend against, respond to or retaliate against **terrorism** or suspected **terrorism**.

18. Fungus, Mold or Mildew:

This policy is extended to cover the direct physical loss or damage to insured property caused by or resulting from **fungus, mold or mildew**, when **fungus, mold or mildew** is the direct result of direct physical loss or damage insured by this policy. This coverage includes any cost or expense to clean up, remove, contain, treat, detoxify or neutralize **fungus, mold or mildew** from insured property resulting from such loss or damage.

19. Deferred Payment:

- a) This policy is extended to cover the Insured's financial interest in personal property that has been sold by the Insured under: written lease, installment sale, deferred payment, or conditional sales contract, if such property sustains direct physical loss or damage insured by this policy and only to the extent the Insured is unable to collect the unpaid balance of such interest.

This insurance attaches from the time the property is sold or leased until the Insured's financial interest in it has ceased, or the policy terminates or expires, whichever is first.

- b) The financial interest is limited to the lesser of the following:

- 1) The total amount of unpaid installments with respect to property described in paragraph a. above;
- 2) The extent of the Insured's financial interest in leased property;
- 3) The **actual cash value** of the property at the time any loss or damage occurs;
- 4) The cost to repair or replace the property with material of like kind and quality.

The section F., Perils Excluded, Group I, exclusions are amended as follows as respects Deferred Payment Coverage.

The following wording is added to the Group I Exclusions:

Theft or conversion by the buyer of the property after the buyer has taken possession of such property.

Coverage provided by this extension is limited to property while located within: the fifty (50) United States; District of Columbia; Commonwealth of Puerto Rico; U. S. Virgin Islands; and Canada.



20. Off-Premises Service Interruption – Property Damage

This policy is extended to cover direct physical loss or damage caused by or resulting from the interruption of the following incoming and outgoing services. The interruption of such services must be by reason of any accidental event at the facilities of the service provider(s) located within this policy's territory.

Covered services are incoming electric, gas, fuel, steam, water, refrigeration, and outgoing sewerage.

There will be no coverage for: deliberate act(s) by the supplying utility to shed load to maintain system integrity, **business interruption, flood or earth movement** whether or not such coverage is provided elsewhere in this policy, and any loss resulting from physical loss or damage to property caused by or resulting from **terrorism**. Resultant and concurrent interruptions will be considered as one event.

21. Arson or Theft Reward:

This policy is extended to cover payment of any reward offered on the Insured's behalf for information that leads to conviction of the perpetrator(s) of:

a) Arson; or

b) Theft;

To insured property.

This company's total liability for any one occurrence will not exceed the lesser of:

a) The sub-limit of liability shown in the declarations section; or

b) Ten Percent (10%) of the direct physical loss or damage to insured property.

This company's payment of this reward will not increase regardless of the number of informants providing information that leads to a conviction.

This coverage does not cover payment of any reward offered on the Insured's behalf for information that leads to the conviction of the perpetrators of **terrorism** whether direct or indirect.

22. Money and Securities:

This policy is extended to cover direct physical loss or damage to **money and securities** by fire, explosion or sprinkler leakage.

23. Locks and Keys:

This policy is extended to cover the reasonable and necessary expense incurred by the Insured for replacing locks and keys resulting from the direct physical loss or damage insured by this policy.

Coverage includes the actual cost to replace, adjust or reprogram undamaged locks to accept new keys or entry codes.



24. Tenants Legal Liability and Expense:

This policy is extended to cover direct physical loss or damage by **named perils** to that part of buildings of others, including permanently attached building fixtures, leased to and occupied by the Insured at a **described location** to the extent of the Insured's legal liability for such loss or damage.

a) Coverage provided by this extension of coverage includes the following as respects any suit alleging loss or damage to that part of such buildings of others leased to and occupied by the Insured. The following are within and not in addition to the sub-limit of liability:

- 1) Reasonable expenses of defending the Insured against only that part of any suit alleging such physical loss or damage to that part of such buildings of others leased to and occupied by the Insured;
- 2) Reasonable expenses incurred by this company, this company's proportionate share of costs taxed against the Insured in any suit, and this company's proportionate share of interest accruing after entry of judgment until this company has paid, tendered or deposited into court its proportionate share of such judgment;
- 3) Reasonable expenses, other than loss of earnings, incurred at this company's request.

b) Additional exclusions:

This extension does not cover:

- 1) Any loss resulting from physical loss or damage to any property caused by or resulting from **terrorism, flood or earth movement**.
- 2) Errors and Omissions;
- 3) Any legal liability for loss or damage assumed by the Insured under any contract or agreement, whether oral or written, expressed or implied; and
- 4) That part of any settlement by the Insured to which this company has not given its prior written consent.

c) Additional Provisions:

- 1) The specified sub-limit is the maximum amount payable in any one occurrence regardless of the number of **locations**, coverages or extensions of coverage. The sub-limit for this extension of coverage cannot be combined with any other sub-limits in this policy.
- 2) This company may investigate, negotiate and settle any claim or suit as this company deems expedient and will not be obligated under this coverage for failure to settle for any amount within the remaining sub-limit of liability.
- 3) This company may pay, tender or deposit into court the remaining sub-limit of liability in full satisfaction of its liability under this coverage, and thereby terminate any further liability for any amount in paragraph **a**) above.

25. Soft Costs for Property in the Course of Construction/Renovation:

This policy is extended to cover **soft costs** as a result of direct physical loss or damage insured by this policy to insured property at **locations** undergoing alterations or additions to existing property and property in the course of construction. This coverage applies from the time of such physical loss or damage until the property is restored to the same degree of completion as existed prior to the physical loss or damage but for no more than 365 consecutive days from the date of such physical loss or damage.



E. PROPERTY EXCLUDED

This policy does not insure the following property unless coverage is specifically included in Section D., Extensions of Coverage, or elsewhere in this policy:

1. Land, water, or any substance in or on land, pavement and roadways, trees, shrubs, plants and lawns, growing crops or standing timber, and animals.
2. Bridges and tunnels used for vehicular traffic, reservoirs, canals and dams.
3. Docks, piers, and wharves which are not a structural part of the building.
4. Furs and fur garments; jewels, jewelry, watches, pearls; precious and semi-precious stones, gold, silver, platinum and other precious metals and alloys; all for loss caused by theft. This exclusion does not apply to precious metals and precious stones used by the Insured for industrial purposes.
5. Currency, **money**, notes, **securities**, accounts, bills, tickets, tokens, evidences of debt.
6. **Electronic data processing media and data, valuable papers and records, and fine arts.**
7. Motor vehicles licensed for highway use or owned by officers, patients and employees of the Insured.
8. Satellites, aircraft, and watercraft; except if on land, unfueled, manufactured by the Insured, at a **location** and prior to being sold.
9. Personal property sold by the Insured under conditional sale, trust agreement, installment payment, or deferred payment plan after delivery to the customer.
10. Personal property in the custody of the Insured acting as a warehouseman, bailee for hire, or carrier for hire.
11. Underground mines, caverns, and mining property within the foregoing.
12. Property while in transit.

F. PERILS EXCLUDED

GROUP I. This policy does not insure against loss or damage caused directly or indirectly by or resulting from any of the following. Loss or damage is excluded regardless of any other cause or event whether or not insured under this policy that contributes concurrently or in any sequence to the loss or damage.

1. Nuclear reaction or nuclear radiation or radioactive contamination. However:
 - a) If physical damage by fire or sprinkler leakage results, then only that resulting damage is insured but not including any loss or damage due to nuclear reaction or nuclear radiation or radioactive contamination.
 - b) This policy does insure against physical loss or damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted at a **location**, provided that at the time of such loss or damage there is neither a nuclear reactor nor any new or used nuclear fuel at the **location**. Such coverage does not apply to any act, loss or damage excluded in Section F., Perils Excluded, Group I, Item 2.f).

This exclusion and the exceptions in 1.a) and b) above do not apply to any act, loss or damage which also comes within the terms of Section F., Perils Excluded, Group I, Item 2.b).



2. a) Hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending or expected attack by:
 - 1) Any government or sovereign power (de jure or de facto);
 - 2) Any military, naval or air forces; or,
 - 3) Any agent or authority of any party specified in 1) or 2) above.
- b) Discharge, explosion, or use of any nuclear device, weapon, or material employing or involving nuclear fission, fusion, or radioactive force, whether in time of peace or war, and regardless of who commits the act.
- c) Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such an event.
- d) Seizure or destruction under quarantine or customs regulation, or confiscation by order of government or public authority.
- e) Risks of contraband or illegal transportation or trade.
- f) **Terrorism**, including action taken to prevent, defend against, respond to or retaliate against **terrorism** or suspected **terrorism**, except to the extent provided in Section D., Extensions of Coverage, Item 17. **Terrorism**. However, if direct physical loss or damage by fire results from any of these acts (unless committed by or on behalf of the insured), and if the statutory law of the jurisdiction in which the physical loss occurs requires coverage for such direct physical loss or damage by fire, then this policy covers only to the extent the **actual cash value** of the resulting direct loss or damage by fire to insured property. This coverage exception for such resulting fire loss or damage does not apply to:

- 1) Direct loss or damage by fire which results from any other applicable exclusion in the policy, including the discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
- 2) Any coverage provided in any Business Interruption Endorsement, if any, which may be a part of this policy, or any extension of such coverage, or to any other coverages provided by this policy.

Any act which satisfies the definition of **terrorism** provided in Section H., Definitions, or in any **terrorism** endorsement to this policy will not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage which may be covered elsewhere in this policy.

If any act which satisfies the definition of **terrorism** provided in Section H., Definitions, or in any **terrorism** endorsement to this policy, also comes within the terms of Section F., Perils Excluded, Group I, Item 2.a), then Section F., Perils Excluded, Group I, Item 2.a) applies in place of this exclusion Section F., Perils Excluded, Group I, Item 2.f).

If any act which satisfies the definition of **terrorism** provided in Section H., Definitions, or in any **terrorism** endorsement to this policy, also comes within the terms of Section F. Perils Excluded Group I, Item 2.b) then Section F., Perils excluded, Group I, Item 2.b) applies in place of this exclusion Section F., Perils Excluded, Group I, Item 2.f).

If any act which satisfies the definition of **terrorism** provided in Section H., Definitions, or in any **terrorism** endorsement to this policy, also comes within the terms of Section F. Perils Excluded Group I, Item 2.c) then Section F., Perils excluded, Group I, Item 2.c) applies in place of this exclusion Section F., Perils Excluded, Group I, Item 2.f).

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, then this exclusion Section F., Perils Excluded, Group I, Item 2.f) applies in place of Section F., Perils Excluded, Group I, Item 1.



3. Loss of market; loss of use; damage or deterioration arising from any delay, whether such delay is caused by a peril insured against or otherwise; loss caused by any legal proceeding.

4. a) Misappropriation;

b) Conversion;

c) Infidelity; or

d) Any dishonest act;

Whether committed alone or in collusion with others at any time, on the part of the Insured or any additional interest, employees, directors, officers, or agents of the Insured, or any person to whom the property may be entrusted (bailees for hire excepted). A willful act of destruction committed by employees of the Insured or others listed above, without the knowledge of the Insured, resulting in physical damage, is covered. Such coverage does not apply to any act excluded in Section F., Perils Excluded, Group I, Item 2. f). However, theft by employees of the Insured or others listed above is not covered.

5. a) Unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory; except that this exclusion will not apply to property while in the custody of any bailee.

b) The voluntary parting with title or possession of property if induced by any fraudulent act or by false pretence.

This exclusion does not apply to coverage provided in Section D., Extensions of Coverage, Item 16. Transit.

6. The lack of power or other incoming service supplied from off a **location**. If direct physical loss or damage insured by this policy results to insured property, the resulting damage is covered.

7. **Earth movement**, except as provided in Section C., Additional Coverage, Item 1. **Earth Movement**.

Loss by fire, explosion or sprinkler leakage ensuing from **earth movement** is covered by this policy.

This exclusion does not apply to coverage provided in Section D., Extensions of Coverage, Item 16. Transit.

8. **Flood**, Except as provided in Section C., Additional Coverage, Item, 2. **Flood**.

Loss by fire, explosion or sprinkler leakage ensuing from **flood** is covered by this policy.

This exclusion does not apply to coverage provided in Section D., Extensions of Coverage, Item 16. Transit.

9. Seepage or influx of water from natural underground sources.

10. Indirect or remote loss.

11. The failure or malfunction of any **Exterior Insulation and Finish System (EIFS)** or the cost to repair the **EIFS**, including loss or damage caused by:

a) Water penetration from any source;

b) Failure of sealants in any form;

c) Leaching of any kind;

d) Discoloration of the exterior paint or finish, or



e) Damage to materials between the EIFS and the interior finish of the building; damage to the interior finish of the building.

Any other loss or damage resulting from the failure or malfunction of the EIFS to prevent migration of water into the structure is excluded unless fire, explosion, or sprinkler leakage results, in which case this policy covers only the damage caused by the fire, explosion, or sprinkler leakage.

12. **Fungus, mold or mildew**, all except as provided in Section D., Extensions of Coverage, Item 18.
13. Bookkeeping, accounting, or billing error or omission; alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable; committed to conceal the wrongful giving, taking, obtaining or withholding of **money, securities**, and/or other property as respects to Section D., Extensions of Coverage, Item 11. Accounts Receivable.
14. Error in machine programming or machine instructions as respects to Section D., Extensions of Coverage, Item 13. **EDP Media and Data**.

GROUP II. This policy does not insure against loss or damage caused by the following; however, if direct physical loss or damage insured by this policy results, then that resulting direct physical loss or damage is covered.

1. Wear and tear, deterioration, depletion, rust, corrosion, erosion, inherent vice, latent defect.
2. Defects in materials, faulty workmanship, faulty construction or faulty design.
3. Loss or damage to stock or materials attributable to manufacturing or processing operations while such stock or materials are being processed, manufactured, tested, or otherwise being worked upon.
4. Changes of temperature; dampness or dryness.

All whether atmospheric or not.

Except damage to fire protective equipment and machinery or equipment caused by changes in temperature.

5. **Contamination**, and any cost due to **contamination** including the inability to use or occupy property or any cost of making property safe and suitable for use or occupancy; nor will the foregoing constitute direct physical loss or damage insured by this policy. This exclusion does not apply to radioactive contamination which is excluded in Section F., Perils Excluded Group I, Item 1.
6. Settling, cracking, shrinkage, bulging, or expansion of:
 - a) Foundations.
 - b) Walls.
 - c) Floors.
 - d) Roofs.
 - e) Ceilings.
7. Exposure to rain, sleet, snow, sand, or dust to personal property in the open.
8. Vermin or insects.
9. Shrinkage; evaporation; loss of weight.
10. Change in color, flavor, texture or finish.



G. GENERAL CONDITIONS

1. First Named Insured:

The First Named Insured shown in the declarations section:

- a) Is responsible for the payment of all premiums.
- b) Will be the payee for any return premiums.
- c) May authorize changes in the terms and conditions of this policy with the consent of this company.

This policy's terms can be amended or waived only by endorsement issued by this company and made a part of this policy.

Loss or damage will be adjusted with the first named Insured and payable to or as the first named Insured directs subject to: mortgagee; lender; or similar interests; as their interest may appear as shown on the certificates of insurance issued prior to loss by the Insured's broker and on file with this company. The effective date of any interests will be the issue date of the certificates unless a later date is specified on the certificate of insurance.

2. Inspections:

This company, at all reasonable times, will be permitted, but will not have the duty, to inspect insured property.

This company's:

- a) Right to make inspections; or
- b) Making of inspections or inspection reports;

Will not constitute an undertaking, on behalf of or for the benefit of the named Insured or others, to determine or warrant that any property is safe or healthful.

3. Examination of Books and Records:

This company or its duly appointed representative will be permitted to:

- a) Inspect the insured property;
- b) Examine and audit books and records;

As they relate to this policy:

- a) Any time during the policy period.
- b) Up to three years after the expiration of coverage.

4. No Benefit to Bailee:

No person or organization, other than the Insured, having custody of insured property will benefit from this insurance.



5. Increase in Hazard:

This policy will not apply to any **location** where there is an increase in hazard over which the Insured has control and knowledge. Any increase in hazard at one or more **locations** will not affect coverage at other **locations** where, at the time of loss or damage, the increase in hazard does not exist.

6. Deductible Clause:

This company will not be liable for loss or damage in any one **occurrence** until the amount of loss or damage exceeds the deductible amount shown in the declarations section and then this company will only be liable for its share of the loss or damage in excess of the deductible amount. If two or more deductibles apply to a single **occurrence**, then the largest deductible amount will apply. However, the policy allows for the application of:

- a) Separate and distinct deductibles; and
- b) Deductibles for specific loss categories;

As shown in the declarations section.

7. Vacant or Unoccupied Locations:

Permission is given to cease operations and for a **location** to be vacant or unoccupied for up to sixty (60) consecutive days. Thereafter coverage will apply subject to the following conditions.

The Insured must:

- a) Maintain the same degree of fire protection, and watch and alarm service as existed prior to the cessation of normal operations, and
- b) Notify this company of any such locations in writing prior to any loss or damage.

If the conditions above are not met this company will:

- a) Not cover any loss or damage caused by or resulting from: vandalism, sprinkler leakage, breakage of building glass, water damage, theft, attempted theft, any loss covered under Section D., Extensions of Coverage, Item 14. Demolition and Increased Cost of Construction and any loss covered under Section D., Extensions of Coverage, Item 18. **Fungus, Mold or Mildew**; all regardless of the cause of loss, and
- b) Value the loss or damage at such **locations** on the lesser of the **actual cash value**, the cost to repair, or the sale value of the property less the value of the land.

8. Other Insurance / Excess Insurance / Underlying Insurance:

If there is other insurance covering the same loss or damage that is covered:

- a) Under this policy; and
- b) Any other policy;

Then this insurance will apply only as excess and in no event as contributing insurance, and then only after all other insurance has been exhausted, whether or not such insurance is collectible.



Permission is granted for the Insured to purchase:

- a) Excess insurance over the limit(s) of liability in this policy;
- b) Underlying insurance on all or any part of the deductibles of this policy.

If the limits of the underlying insurance exceed the deductible that would apply under this policy, then the insurance provided by this policy will apply only after that portion that exceeds the deductible has been exhausted.

Except for the foregoing, the existence of such underlying or excess insurance will not:

- a) Prejudice; or
 - b) Reduce;
- Any recovery payable under this policy.

9. Reinstatement of Limits after a Loss:

Except for those perils subject to an annual aggregate limit of liability, any loss or payment of any claim will not reduce the amount payable under this policy.

10. Liberalization Clause:

If this company adopts a revision that would broaden the coverage under this policy Form (PRO AR 3100) without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

11. Transfer of Rights and Duties under this Policy:

The Insured's rights, interests and duties under this policy may not be transferred or assigned without this company's written consent.

12. Legal Action against this Company:

No suit, action, or proceeding for the recovery of any claim under this policy, will be sustainable in any court of law or equity unless:

- a) The Insured has fully complied with all terms and conditions of the policy; and
- b) Such suit, action or proceeding is initiated within two years after the date on which the direct physical loss or damage first commenced or occurred.

13. Subrogation:

The Insured must cooperate in any subrogation proceedings. This company may require from the Insured an assignment of all rights of recovery against any party for loss to the extent of this company's payment.

This company will not acquire any rights of recovery that the Insured has expressly waived prior to a loss. No such waiver will affect the Insured's rights under this policy.

Any recovery from subrogation proceedings, less expenses incurred by this company in such proceedings, will be payable to the Insured in the proportion that the amount of:



- a) Any applicable deductible; and
 - b) Any provable uninsured loss;
- Bears to the entire loss amount.

14. Basis of Valuation:

Adjustment of loss amount(s) under this policy will be determined based on the cost of repairing or replacing (whichever is the lesser), at the time of loss, with materials or equipment of like kind and quality without deduction for depreciation, except as provided in this valuation section.

- a) The following property, unless endorsed, will be valued at the time of loss as follows:
 - 1) Stock in process: the value of **raw materials** and labor expended plus the proper proportion of overhead charges.
 - 2) **Finished goods** manufactured by the Insured, and other goods sold awaiting delivery: the regular cash selling price at the **location** where loss occurs, less all discounts and charges which the merchandise would have been subject to had no loss occurred.
 - 3) **Raw materials**, supplies, and other merchandise not manufactured by the Insured: the replacement cost.
 - 4) Property of others: the amount for which the Insured is legally liable, but not exceeding the replacement cost.
 - 5) Unrepairable electrical equipment, mechanical equipment, including **electronic data processing equipment**, the cost to replace with equipment that is the most functionally equivalent to that damaged, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program enhancement.
 - 6) Trees, shrubs, plants, and lawns will be limited to standard local nursery stock.
 - 7) **Fine arts** are valued at the lesser of:
 - (a) The cost to repair or restore the article to the condition that existed immediately prior to the loss;
 - (b) The cost to replace the article; or
 - (c) The value designated for the article on the schedule of **fine arts** on file with this company.

In case of physical loss or damage to an article that is part of a pair or a set, this company will pay the full amount of the value of such pair or set only if: the damaged article cannot be repaired or restored to its condition before the loss; and the Insured surrenders the remaining article or articles of the pair or set to this company.

- 8) Accounts receivable are valued at the sum due which the Insured is unable to collect from customers, and includes:
 - (a) Interest charges on any loan to offset impaired collections pending repayment of such sums that can not be collected;
 - (b) Collection expenses in excess of normal collection cost; and
 - (c) Other reasonable expenses incurred by the Insured in recreating records of accounts receivable.

If the Insured is unable to accurately determine the amount of outstanding accounts receivable at the time of loss, the following method will be used:

- (a) Determine the total average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which loss occurs; and



- (b) Adjust that total for any fluctuations in the month in which loss occurs, or for any demonstrated variance for that month.

Unearned interest charges and service charges on deferred payment accounts and normal credit losses on bad debts will be deducted.

After payment of loss by this company, all amounts recovered by the Insured on accounts receivable for which the Insured has been indemnified will belong to and be paid to this company by the Insured up to the total amount of loss paid by this company. All recoveries in excess of such amounts will belong to the Insured.

9) Valuable papers and records are valued at: the cost to replace or restore the property with other of like kind and quality including the cost of researching, gathering and/or assembling information. If the information is not replaced or restored, this company will pay the blank value of such **valuable papers and records**.

10) Electronic data processing media and data is valued at: the cost to replace or restore the property with other of like kind and quality including the cost of researching, gathering and/or assembling information. If the information is not replaced or restored, this company will pay the blank value of such **electronic data processing media**.

11) Property while in transit is valued as follows:

(a) For property shipped to or for account of the Insured: the actual invoice to the Insured, together with such costs and charges (including the commission of the Insured as selling agent) as may have accrued and become legally due on such property.

(b) For property that has been sold by the Insured and shipped to or for account of the purchaser (if covered by this policy): the amount of the Insured's selling invoice, including prepaid or advanced freight.

(c) For property not under invoice:

(1) For property of the Insured, the valuation provisions of the policy applying at the **location** from which the property is being transported; or

(2) For other property, the actual cash market value at point of destination on the date of occurrence.

(3) Less any charges saved which would have become due and payable upon arrival at destination.

12) Property that is damaged by fire and such fire is the result of terrorism and the statutory law of the jurisdiction in which the physical loss occurs requires coverage for such direct physical damage by fire, the **actual cash value** for any portion of the fire damage loss which exceeds the limit of liability provided in the declarations section.

b) The Insured may:

1) Voluntarily elect to rebuild on another site provided that such rebuilding does not increase the amount of loss or damage which would otherwise be payable to rebuild at the current site.

2) Submit claim based on the **actual cash value** of the property lost or damaged until repair or replacement has been completed. The Insured may still claim for the additional coverage which replacement cost provides if notification of intention to do so is received by this company within 180 days after the loss or damage.

c) Replacement cost is subject to all the terms, conditions and limitations of the policy (including any endorsements) and the following additional provisions:

1) The Insured must execute repairs or replacement with due diligence and dispatch.

2) In no event will payment exceed the actual cost incurred for repairs, replacement, or the limit of liability stated in this policy, whichever is the lesser.



- 3) If during the term of this policy, any insured real property is offered for sale, the liability for loss or damage will not exceed the lesser of:
 - (a) The price of the offer for sale while the property is offered for sale (with proper deduction for the value of any land); or,
 - (b) The cost to repair or replace.

The Insured may elect not to repair or replace the property. Loss valuation may be elected on the lesser of repair or replacement cost basis if the proceeds of the loss valuation are expended on other capital expenditures related to the Insured's operations within two (2) years from the date of loss. As a condition of collecting under this item, such expenditures must be unplanned as of the date of loss and be made at a **described location**. This loss valuation does not include any amount that would or could have been paid under section D., Extensions of Coverage, Item 14. Demolition and Increased Cost of Construction Items A. thru D.

If the Insured fails to comply with any of the valuation provisions or does not repair or replace the property within two (2) years from the date of loss, the basis of valuation will revert to the **actual cash value** as defined in this policy.

15. Brands and Labels:

If branded or labeled property covered by this policy is damaged by direct physical loss or damage insured by this policy and this company elects to take all or any part of such property at the value established by the terms of this policy, the Insured may at Insured's own expense:

- a) Stamp "salvage" on the property or its containers; or
- b) Remove or obliterate the brands or labels;

If doing so will not physically damage the property.

The Insured must re-label the property or containers in compliance with the requirements of law.

16. Pairs and Sets:

This policy covers the reduction in value of the undamaged portion of Insured personal property that is a part of a pair or set, directly resulting from direct physical loss or damage insured by this policy to other insured parts of such pairs or sets. If settlement is based on a constructive total loss, the Insured will surrender the undamaged parts of such property to this company.

17. Cancellation:

- a) The first named Insured may cancel this policy at any time by:
 - 1) Surrendering the policy to this company; or
 - 2) Mailing or delivering to this company advance written notice of cancellation.
- b) This company may cancel this policy by:
 - 1) Mailing; or
 - 2) Delivering;



Written notice of cancellation to the first named Insured at the address as stated in the declarations section, not less than:

- 1) Sixty (60) days; or
- 2) Ten (10) days for non-payment of premium;

Before the effective date of cancellation.

Proof of mailing or delivery will be sufficient proof of notice.

- c) This company will return unearned premium to the Insured:

- 1) On a pro rata basis if this company cancels the policy.
- 2) 90% of the pro rata basis if the Insured cancels the policy.

18. Currency:

Any amounts specified in this policy, including but not limited to premium, limit(s) of liability, deductible(s), and loss payable will be considered to be in Canadian currency for **locations** situated in Canada and in United States of America currency for all other **locations**, unless specified otherwise.

19. Conformity to Statute:

Terms of this policy, which are in conflict with the statutes of the jurisdiction where the insured property is located, are amended to conform to such statutes.

20. Suspension:

Upon discovery of a dangerous condition, any representative of this company may immediately suspend the **boiler and machinery** insurance with respect to any machine, vessel or part thereof by giving written notice to the Insured. The insurance that is suspended may be reinstated by this company. The Insured will be allowed the return of the unearned portion of the premium resulting from the suspension of insurance.

If coverage is suspended, it will also be immediately suspended for any:

- a) Mortgagee;
- b) Lender; or
- c) Additional named interest;

By written notice of suspension.

H. DEFINITIONS

Actual Cash Value means the cost to repair or replace the property, at the time and place of the loss or damage, with material of like kind and quality, less proper deduction for obsolescence and physical depreciation.



Boiler and Machinery means:

1. Direct physical loss or damage originating within:
 - a) Boilers, fired or unfired pressure vessels, vacuum vessels, and pressure piping, all normally subject to vacuum or internal pressure other than static pressure of contents, excluding:
 - 1) Waste disposal piping;
 - 2) Any piping forming part of a fire protective system;
 - 3) Furnaces; and
 - 4) Any water piping other than:
 - (a) Boiler feed water piping between the feed pump or injector and the boiler;
 - (b) Boiler condensate return piping; or
 - (c) Water piping forming part of a refrigerating or air conditioning system used for cooling, humidifying or space heating purposes.
 - b) All mechanical, electrical, electronic or fiber optic equipment; and
2. Caused by, resulting from, or consisting of:
 - a) Mechanical breakdown; or
 - b) Electrical or electronic breakdown, or
 - c) Extremes or changes of temperature; or
 - d) Rupture, bursting, bulging, implosion, or steam explosion.
3. **Boiler and Machinery** does not mean:

Physical loss or damage caused by or resulting from any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss:

 - a) Combustion explosions, except from within combustion gas turbines; or
 - b) Explosions from liquids coming in contact with molten materials; or
 - c) Accidental discharge, escape, leakage, back-up, or overflow to the open of any material from confinement within piping, plumbing systems, or tanks except from property described in item 1 above; or
 - d) Fire, or from the use of water or other means to extinguish a fire.

Contaminant means anything that causes **contamination**, including but **not** limited to any solid, liquid, gaseous or thermal irritant or substance, including but not limited to fiber, smoke, vapor, soot, fumes, acids, alkalies, chemicals, biological agents and waste, including but not limited to waste materials to be recycled, reconditioned or reclaimed.

Contamination means the actual or suspected presence of any material that can cause or threaten damage to human health or human welfare; or that can cause or threaten damage, deterioration, loss of value, loss of marketability, or loss of use of property. Such material includes, but is not limited to, any foreign substance, impurity, **contaminant**, hazardous material, poison, toxin, pathogen, pathogenic organism, bacteria, virus, disease causing agent or illness causing agent.



Described Locations means the locations described in the Insurance Provided section of the declarations section.

Earth Movement means any natural or man-made **earth movement**, including but not limited to earthquake and landslide.

Electronic Data Processing (EDP) Data means all information stored on media devices, including: facts, concepts, or computer programs; converted to a form usable in a data processing operation.

Electronic Data Processing (EDP) Equipment means data processing systems, component parts and related peripheral equipment including air conditioning and fire protection equipment used solely for data processing operations. Equipment does not include electronic systems that control production machinery or the production machinery itself or any memory bank attached to the production machinery. Equipment does not include property in the course of manufacture or property the Insured holds for sale or demonstration.

Electronic Data Processing (EDP) Media means all materials on which data is recorded including: magnetic tapes; disc packs; paper tapes; and cards; used in data processing equipment. **EDP media** does not include any memory bank attached to production machinery or any property the Insured holds for sale or demonstration.

Exterior Insulation and Finish System (EIFS) means any exterior cladding or finish system used on any part of any structure and consisting of: a rigid or semi-rigid insulation board made of expanded polystyrene or other materials; adhesive and/or mechanical fasteners used to attach the insulation board to the substrate; a reinforced base coat; and a finish coat providing surface texture and color, including sealant around windows and other penetrations.

Fine Arts means paintings; etchings; pictures; tapestries; rare or art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit, excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.

Finished Goods means stock manufactured or processed by the Insured which is ready for packing, shipment, or sale.

Flood means any surface water; tidal or seismic sea wave; tsunami; storm surge, including but not limited to the rush of water over or onto land from any body of water caused by high winds associated with a cyclone, tropical storm, hurricane or any other storm and secondarily by the low pressure of the storm; rising (including overflowing or breaking of boundaries) of any body of water, including but not limited to seas, oceans, reservoirs, lakes, streams, rivers, ponds and harbors; all whether natural or man-made, and whether driven by wind or not, and including spray from any of the foregoing that results from, contributes to, or is aggravated by any of the above whether natural or man-made. **Flood** also includes physical loss or damage from water which backs up through sewers or drains that are below ground level as a result of **flood**.

Fungus, Mold or Mildew means: fungus, including but not limited to mildew and mold; wet rot; dry rot; or chemical matter or compounds produced or released by such fungus, wet rot or dry rot.

Location means **described location**, Unnamed Location, or Newly Acquired Property.

Money means currency, coins, bank notes and bullion; and traveler checks, registered checks, and money orders held for sale to the public

Named Perils means: fire, lightning, **wind and/or hail**, explosion, smoke, impact from aircraft and vehicles, objects falling from aircraft, strike, riot, civil commotion, vandalism, theft, attempted theft, sprinkler leakage, or collapse of buildings.

Occurrence means the sum total of all loss or damage of the type insured, including any insured **business interruption** loss arising out of or caused by one discrete event of physical loss or damage, except

1. **Terrorism:** **Occurrence** will mean the sum total of all loss or damage of the type insured, including any insured **business interruption** loss, arising out of or caused by all acts of **terrorism** during a continuous period of seventy-two (72) hours.



2. **Earth Movement:** **Occurrence** will mean the sum total of all loss or damage of the type insured, including any insured **business interruption** loss, arising out of or caused by all **earth movement(s)** during a continuous period of seventy-two (72) hours.

Processing Water means water that is contained within any enclosed tank, piping system or any other processing equipment.

Raw Materials mean materials and supplies in the state in which the Insured receives them for conversion by the Insured into **finished goods**.

Securities mean negotiable and non negotiable instruments or contracts representing **money** and includes: tokens; tickets; revenue and other stamps (whether represented by actual stamps or unused value in a meter); and evidence of debt issued in connection with credit card or charge cards that are not issued by the Insured. **Securities** do not mean **money**.

Sewer Back Up means water which backs up through sewers or drains that are below ground level. **Sewer back up** does not mean loss or damage from water, which backs up through sewers or drains that are below the ground as a result of **flood**.

Soft Costs means the expenses over and above normal expenses at **locations** undergoing alterations or additions to existing property and property in the course of construction limited to the following:

1. Construction loan fees - the additional cost incurred to rearrange loans necessary for the completion of construction, repairs or reconstruction including the cost to arrange refinancing, accounting work necessary to restructure financing, legal work necessary to prepare new documents, and charges by the lenders for the extension or renewal of loans necessary.
2. Commitment fees, leasing and marketing expenses - the cost of releasing and marketing of the Insured Project due to loss of tenant(s) or purchaser(s).
3. Additional fees - for architects, engineers, consultants, attorneys and accountants needed for the completion of construction, repairs or reconstruction as a direct result of direct physical loss or damage.
4. Carrying costs - building permits, additional interest on loans, insurance premiums and property and realty taxes.

Stock in Process means **raw materials** or stock, which has undergone any aging, seasoning, mechanical or other process or manufacture, but which is not **finished goods**.

Terrorism means:

Any act, involving the use or threat of: force, violence, dangerous conduct, interference with the operations of any business, government or other organization or institution, or any similar act,

When the effect or apparent purpose is:

To influence or instill fear in any government (de jure or de facto) or the public, or any segment of either; or to further, or to express support for, or opposition to, any political, religious, social, ideological or similar type of objective or position.

Valuable Papers and Records mean inscribed, printed or written: documents; manuscripts or records including abstracts; and, books, deeds, drawings, films, maps, or mortgages. **Valuable Papers** are not: **money**, **securities** and stamps; converted data programs or instructions used in the Insured's data processing operations; or, materials on which data is recorded.

Wind and/or Hail means direct and/or indirect action of **wind and/or hail** and all loss or damage resulting therefrom including loss or damage caused when water vapor, spray not from **flood**, mist, rain, sleet, hail, snow, ice, sand, dust or any other substance, material, object or thing is carried, blown, driven or otherwise transported through the air by wind onto or into a **location**. **Wind and/or Hail** will not mean or include anything within the policy definition of **flood**, nor will **wind and/or hail** include any loss or damage caused by fire or explosion.



Business Interruption Endorsement Gross Earnings/Rents/Extra Expense

1. COVERAGE PROVIDED:

In consideration of additional premium, this policy is extended to cover the actual loss sustained by the Insured due to the necessary interruption of production or business operations or services during the period of interruption of the following:

A. Gross Earnings, Rents, and Expense to Reduce Loss; and

B. Extra Expense;

Directly resulting from direct physical loss or damage of the type insured by this policy to property (described elsewhere) not excluded, utilized by the insured, and at a **location**, but only to the extent the Insured is unable to make up production and resume or continue business operations or services, partially or entirely, by utilizing damaged or undamaged property all whether or not at a **location(s)**.

In respect to item A. above, the amount payable shall be limited to the extent the Insured is able to demonstrate a loss of sales for the production or business operations or services prevented.

2. CONDITIONS:

In determining the loss payable under this endorsement, this company will consider:

- A.** The experience of the business before and after and the probable experience during the period of interruption. The probable experience will consider any increase or decrease in demand for the Insured's goods or services during the period of interruption, even if such increase or decrease is from the same event that caused physical loss or damage starting the period of interruption.
- B.** The continuation of only those normal charges and expenses that would have existed had there been no interruption of production or business operations or services.

3. PERIOD OF INTERRUPTION:

For the purpose of determining the loss payable under this endorsement due to an interruption of production or business operations or services at a **location** directly resulting from direct physical loss or damage of the type insured by this policy this company will apply the following:

A. For Business Operations and Services: The period of interruption is:

- 1) The period from the time of such loss or damage;
- 2) To the time when, with due diligence and dispatch, such lost or damaged property could be repaired or replaced and made ready for production or business operations or services under the same or equivalent physical operating conditions at the **location** that existed prior to such loss or damage; except



B. For Property in the Course of Construction/Renovation: The period of interruption for alterations or additions to existing property and property in the course of construction will be determined as follows:

- 1) The period from the time of such loss or damage;
- 2) To the time when, with due diligence and dispatch, such lost or damaged property could be repaired or replaced to the same or equivalent degree of completion at the **location** that existed prior to such loss or damage.

This period of time will be applied to the level of production or business operations or services that would have been reasonably achieved after construction and startup would have been completed had there been no direct physical loss or damage.

The Period of Interruption in items A. and B. above:

- 1) Will include that period of time for which physically lost or damaged **raw materials** would have supplied production or business operating or servicing needs.
- 2) Will not include any additional time resulting from the inability to procure suitable **raw materials** and/or supplies to replace those physically lost or damaged.
- 3) Will not include any additional time required for making change(s) to the buildings, or structures, for any reason except as set forth in Section D., Extensions of Coverage Item 14., Demolition and Increased Cost of Construction extension contained within this policy, nor any additional time for re-staffing or retraining employees nor for any additional time due to the Insured's inability to resume production or business operations or services regardless of the reason.
- 4) Will not be limited by the expiration of this policy.
- 5) Will not exceed twelve (12) months from the inception of direct physical loss or damage caused by or resulting from **terrorism**.

4. LIMIT OF LIABILITY:

This company's maximum limit of liability per **occurrence** for all loss under this endorsement will not exceed the sub-limit of liability shown in the declarations section.

A. Extra Expense Sub-Limit

This company's maximum limit of liability per **occurrence** for all Extra Expense loss under this endorsement will not exceed the sub-limit of liability shown in the declarations section.

B. Extensions of Coverage

This company's maximum sub-limit of liability per **occurrence** for all of the Section 5., Extensions of Coverage are shown in the declarations section.

5. EXTENSIONS OF COVERAGE:

The following coverages apply, subject to the terms and conditions of this policy, and to the extent shown in the declarations section. Extensions of Coverage C., D., E., F., G. and H. do not provide coverage for loss caused by or resulting from **terrorism**.



A. Ordinary Payroll:

This policy is extended to cover the actual loss sustained of **ordinary payroll** during the period of interruption as a direct result of direct physical loss or damage of the type insured by this policy, to property not excluded, utilized by the Insured, and at a **location**, causing an interruption of production or business operations or services which results in a loss of **gross earnings**. This coverage is provided for no more than the number of consecutive days as shown in the declarations section, and only to the extent that such payroll would have been earned had there been no interruption.

If the Insured reduces the daily loss otherwise payable under this extension, either by:

- 1) Providing gainful employment for; or
- 2) Paying less than the normal payroll rate to;

All or part of its employees, then the number of consecutive days provided above may be extended in proportion to such reduction of loss otherwise payable. In no event will this provision increase the total liability of this company beyond the amount for which it would have been liable for this coverage without this additional provision.

B. Civil or Military Authority:

This policy is extended to cover **business interruption** when, as a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy, at a **location** or within five statute miles of it, access to that **location** is prohibited by order of civil or military authority. This coverage is provided for no more than the number of consecutive days as shown in the declarations section starting from the time of such order of civil or military authority.

For the purpose of this extension the exclusion for bridges and tunnels used for vehicular traffic in Section E. Property Excluded, Item 2. does not apply.

C. Off-Premises Service Interruption:

This policy is extended to cover **business interruption** caused by or resulting from the interruption of the following incoming and outgoing services. The interruption of such services must be by reason of any accidental event at the facilities of the service provider(s).

Covered services are incoming electricity, gas, fuel, steam, water, refrigeration, and outgoing sewerage.

This coverage does not apply to service interruption:

- 1) Due to:
 - a) Deliberate act(s) by the supplying entity to shed load or to maintain system integrity;
 - b) **Flood**;
 - c) **Earth movement**; or
- 2) With respect to:
 - a) Contingent Business Interruption; or
 - b) Unnamed Locations;

Whether or not such coverage is provided elsewhere in this policy. Resultant and concurrent interruptions are considered as one event.



D. Contingent Business Interruption Coverage:

This policy is extended to cover **business interruption** as a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy at the premises of direct suppliers or direct customers of the Insured, but not at the premises of entities directly or indirectly supplying to or receiving from a **location** electricity, fuel, water, steam, refrigeration, sewerage, voice, data or video.

Loss sustained by the Insured resulting from **flood** and/or **earth movement**, whether or not such coverage is provided elsewhere in this policy, is not covered.

E. Research and Development Expense:

This policy is extended to cover **ordinary payroll** and loss of continuing fixed charges and expenses as a direct result of direct physical loss or damage insured by this policy to insured property not excluded at a **location** and utilized in research and development activities. The **ordinary payroll** and continuing fixed charges and expenses must be directly attributable to such research and development activities, which in themselves would not have generated income during the period of interruption.

F. Ingress/Egress:

This policy is extended to cover **business interruption** as a direct result of direct physical loss or damage of the type insured by this policy when ingress to or egress from a **location(s)** is physically prevented either partially or totally by such loss or damage, to property of the type not excluded whether or not at a **location** of the Insured.

For the purpose of this extension the exclusion for bridges and tunnels used for vehicular traffic in Section E. Property Excluded, Item 2. does not apply.

G. Tax Treatment:

This policy is extended to cover increased tax liability as a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy. If the tax liability is greater than the tax liability that would have been incurred had there been no such loss or damage, then this policy will cover only the increased tax liability for the profit portion of the physically damaged **finished goods**, and the profit portion of the **gross earnings** and **rents** loss.

H. Extended Period of Indemnity:

This policy is extended to cover **gross earnings** and **rents** during the time it takes to restore the Insured's production or business operations or services, with due diligence and dispatch, to the probable experience that would have existed had there been no direct insured physical loss or damage causing an interruption of production or business operations or services.

This extension of time starts immediately after the Period of Interruption and runs for no more than the number of consecutive days as shown in the declarations section. This extension does not extend the Period of Interruption for Section 5., Extensions of Coverage, Items; A., B., E., F., and G.



6. EXCLUSIONS:

This endorsement does not cover any of the following:

- A.** Any loss during any period in which goods would not have been produced or in which business operations or services, including rental activities, would not have been maintained for any reason other than the direct physical loss or damage insured by this policy.
- B.** Any increase in loss due to the suspension, cancellation, or lapse of any lease, contract, license, or order except as provided in Section 5., Extensions of Coverage, Item H., Extended Period of Indemnity.
- C.** Any additional loss due to:
 - 1)** Fines or damages for breach of contract, or for late or non-completion of orders;
 - 2)** Penalties of any nature; or
 - 3)** Any other consequential or remote loss.
- D.** Any loss resulting from physical loss or damage to property in transit.
- E.** Any loss resulting from physical loss or damage to personal property valued at the regular cash selling price at the **location** where loss happens, less all discounts and charges which the merchandise would have been subject to had no loss happened or the time required for their reproduction.
- F.** Any remaining or residual value of property obtained in reducing loss payable, in making up production, or in continuing business operations or services.
- G.** Any loss resulting from the actual cash value portion of direct physical loss or damage by fire caused by or resulting from **terrorism**.

7. DEFINITIONS:

Business Interruption means **gross earnings, rents, expense to reduce loss, extra expense, and ordinary payroll**.

Expense to Reduce Loss means:

The expenses, over and above normal operating expenses incurred during the period of interruption that reduce loss otherwise payable but only to the extent that such loss has been reduced..

Extra Expense means:

The reasonable and necessary expenses in excess of normal incurred by the Insured during the period of interruption to:

- 1)** Temporarily continue as close to normal the conduct of the Insured's business; or
- 2)** Temporarily use the property of the Insured or others;

All less any value remaining at the end of the period of interruption for property obtained in connection with the above.

Extra Expense does not mean:

- 1)** Any loss of income;
- 2)** Expenses that normally would have been incurred in the conduct of the Insured's business; or



3) Cost of permanent repair or replacement of property that has been damaged or destroyed.

Gross Earnings means:

The net sales value of production lost during the period of interruption, less the cost of all:

- 1) Raw stock;
- 2) Materials and supplies;
- 3) Services rendered by the Insured;
- 4) Ordinary Payroll;**
- 5) Charges and Expenses that do not continue; and
- 6) Merchandise sold;

Plus all other earnings derived from the operations of the business excluding **rents**.

Ordinary Payroll means:

- 1) Wages of all employees except officers, executives, department managers, and employees under contract or similar key employees; and
- 2) Includes taxes and charges dependent on the payment of those wages.

Rents means:

When insured property cannot be occupied:

- 1) The fair rental value of any portion of the property occupied by the Insured;
- 2) Income reasonably expected from the rentals of unoccupied or un-rented portions of such property;
- 3) The rental income from the rented portions of such property, according to leases, contracts, or agreements, in force at the time of loss;
- 4) That portion of the tenant's sales which the Insured receives in addition to the base rent; and
- 5) Taxes and other continuing charges payable by the Insured when leased premises are not rented which are paid or reimbursed by tenants under the terms of leases but payable by the Insured when the premises are untenable.

Less the cost of all charges and expenses that do not continue during the period of interruption or the Lost Lease time period.

Sales means:

The money paid or payable to the Insured for:

- 1) Goods sold and delivered; and
- 2) Services rendered;

In the conduct of the Insured's business at a **location**.

All other terms and conditions of this policy remain unchanged.

SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT

This Endorsement is applicable to all insured locations in the United States, its territories and possessions and the Commonwealth of Puerto Rico.

Coverage for “Certified Act of Terrorism” Under The Terrorism Risk Insurance Act of 2002, as amended.

In consideration of a premium charged of \$0, this Policy, subject to the terms and conditions therein and in this Endorsement, covers direct physical loss or damage to insured property and any resulting Business Interruption loss, as provided in the Policy, caused by or resulting from a Certified Act of Terrorism as defined herein.

Notwithstanding anything contained elsewhere in this Policy, any exclusion or limitation of terrorism in this Policy and any endorsement attached to and made a part of this Policy, is hereby amended to the effect that such exclusion or limitation does not apply to a “Certified Act of Terrorism” as defined herein.

This amendment does not apply to any limit of liability for a Certified Act of Terrorism, if any, stated under any Sub-Limits clause in the Declarations section of this Policy.

With respect to any one or more Certified Act(s) of Terrorism, this Company will not pay any amounts for which the Company is not responsible under the terms of the Terrorism Risk Insurance Act of 2002 (including subsequent action of Congress pursuant to the Act) which includes a provision stating that if the aggregate insured losses exceed \$100,000,000,000 during any calendar year, neither the United States Government nor any insurer that has met its insurer deductible shall be liable for the payment of any portion of the amount of such losses that exceed \$100,000,000,000. If the aggregate insured losses for all insurers exceed \$100,000,000,000, your coverage may be reduced.

The coverage provided under this Endorsement for “Certified” losses caused by acts of terrorism will be partially reimbursed by the United States Government under a formula established by Federal Law. Under this formula, the United States pays 85% (and beginning on January 1, 2016, shall then decrease by 1 percentage point per calendar year until equal to 80 percent) of covered terrorism losses exceeding a statutorily established retention by the insurer referenced in this Policy. The premium charged for this coverage is provided above.

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Endorsement or the Policy.

The coverage provided by this Endorsement only applies to a Certified Act of Terrorism.

Reference and Application: The following term(s) means:

Certified Act of Terrorism:

A “Certified Act of Terrorism” means any act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002 as amended and extended in 2005, 2007 and in 2015. The criteria contained in that Act for a “Certified Act of Terrorism” include the following:

- a. The act resulted in aggregate losses in excess of \$5,000,000; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

TEXAS

SPECIAL MANDATORY ENDORSEMENT

It is agreed with respect to any insured location in the State of Texas that this policy is amended:

REQUIREMENTS IN CASE LOSS OCCURS

1. The Insured shall give immediate written notice to the company of any loss, notify the police in case of loss by theft, protect the property from further damage, immediately separate the damaged and undamaged personal property, and put it in the best possible order.
2. The Insured shall make reasonable and necessary repairs to protect the property, and keep an accurate record of repair expenses.
3. The Insured shall furnish a complete inventory of the destroyed, damaged and undamaged property showing in detail the quantity, cost, actual cash value and loss amount claimed. All bills, receipts and related documents shall be attached to the inventory.
4. Within 90 days unless such time is extended in writing by the Company, the Insured shall send to the Company a signed, sworn proof of loss.
5. This proof of loss shall state to the best knowledge and belief of the Insured:
 - a. The time and origin of loss;
 - b. The interest of the Insured and all others in the property involved including all liens on the property;
 - c. All other contracts of insurance whether valid or not, covering any of the said property;
 - d. The actual cash value of each item of property and the amount of loss to each item;
 - e. The name of the occupancy and the occupancy of the building at the time of the loss; and
 - f. Any changes in the title, use, occupation, location, possession or exposures of said property since the issuing of this policy.
6. The Insured shall furnish a copy of all the descriptions and schedules in all policies and, if required, a copy of all verified plans and specifications of any building, fixtures or machinery destroyed or damaged.
7. If this policy provides replacement cost coverage and the Insured elects to make claim under the replacement cost coverage of this policy, this proof of loss shall also state, to the best knowledge and belief of the Insured, the replacement cost of the described property and the full cost of repair or replacement of loss without deduction for depreciation.
8. The Insured, as often as may be reasonably required, shall:
 - a. Exhibit to any person designated by the company all that remains of any property described in this policy;
 - b. Produce for examination all books of account, business records, bills, invoices and other vouchers or certified copies if originals are lost, and permit copies to be made; and
 - c. Submit to examinations under oath and sign and swear to them.

9. Within fifteen (15) days after the company receives written notice of claim, the company shall:
 - a. Acknowledge receipt of the claim; but, if the acknowledgement of the claim is not in writing, the company will keep a record of the date, method and content of the acknowledgement;
 - b. Begin any investigation of the claim; and
 - c. Specify the information that the Insured shall provide in accordance with the above item a.

The company may request more information, if during the investigation of the claim such additional information is necessary.
10. After the company receives the requested information, the company shall notify the Insured in writing within fifteen (15) business days, or within thirty (30) days if the company has reason to believe the loss resulted from arson, whether the claim will be paid or has been denied or whether more information is necessary.
11. If the company does not approve payment of the claim or requires more time for processing the claim, the company shall give the reasons for denying the claim, or give the reasons for requiring more time to process the claim.
12. But, the company shall either approve or deny the claim within forty-five (45) days after requesting more time.
13. In the event of a weather related catastrophe as determined by the State Board of Insurance or major natural disaster as declared under the Texas Disaster Act of 1975, the claim handling deadlines imposed in this policy provision are extended for an additional fifteen (15) days.
14. "Business day" means a day other than Saturday, Sunday or holiday recognized by the State of Texas.

LOSS PAYMENT

1. If the company notifies the Insured that payment of the claim or part of the claim will be made, the company shall make payment within five (5) business days after notification to the Insured.
2. If payment of the claim or part of the claim requires the performance of an act by the Insured, the company shall make payment within five (5) business days after the date the Insured performs the act.
3. In the event of a weather related catastrophe as determined by the State Board of Insurance or major natural disaster as declared under the Texas Disaster Act of 1975, the claim handling deadlines imposed in this policy provision are extended for an additional fifteen (15) days.
4. "Business day" means a day other than Saturday, Sunday or holiday recognized by the State of Texas.

SUIT AGAINST COMPANY - No suit, action or proceeding for the recovery of any claim under this policy shall be sustainable in any court of law or equity unless the Insured shall have fully complied with all the requirements of this policy, and unless the same be commenced within two (2) years and one (1) day next after the cause of action accrues.

CANCELLATION

1. The Insured may cancel this policy by notice to this company. Upon demand and surrender of this policy, the company will refund the unearned premium determined by the customary short rate procedures.

2. Except as provided in 3. below, this company may not cancel this policy after the 60th day following the effective date of this policy.
3. This company may cancel this policy at any time during the term of this policy for the following reasons:
 - a. Fraud in obtaining coverage;
 - b. Failure to pay premiums when due;
 - c. An increase in hazard within the control of the Insured which would produce an increase in rate;
 - d. Loss of this company's reinsurance covering all or part of the risk covered by this policy, or;
 - e. This company being placed in supervision, conservatorship or receivership, if the cancellation or nonrenewal is approved or directed by the supervisor, conservator or receiver.
4. This company must deliver or mail to the first named Insured under this policy, at the address shown on this policy, written notice of cancellation of this policy not less than the 10th day before the date on which the cancellation takes effect.
5. At the option of the Insured, this policy must be renewed at expiration, unless this company delivers or mails to the first-named Insured written notice of the nonrenewal of this policy at the address shown on this policy. The notice must be delivered or mailed not later than the 60th day before the date on which this policy expires. If notice is delivered or mailed later than the 60th day before the date on which this policy expires, the coverage shall remain in effect until the 61st day after the date on which the notice is delivered or mailed.
 - a. Earned premium for any period of coverage that extends beyond the expiration date of this policy shall be computed pro rata based on the rate charged for this expired policy.
 - b. The transfer of a policyholder between admitted companies within the same insurance group is not considered a refusal to renew.
6. In notice to the Insured relating to cancellation or refusal to renew this company must state the reason for the cancellation or nonrenewal.
7. This company may not cancel or refuse to renew this policy solely because the Insured is an elected official.

MORTGAGE INTERESTS AND OBLIGATIONS

1. This policy, as to the interest of the mortgagee only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the within described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy; PROVIDED that the mortgagee shall notify the company of any change of ownership or increase of hazard which shall come to the knowledge of said mortgagee, and unless permitted by this policy, it shall be noted hereon.
2. If the Insured fails to render proof of loss, such mortgagee, upon notice, shall render proof of loss in the form herein specified within ninety one (91) days thereafter and shall be subject to the provisions hereof relating to appraisal and time of payment and of bringing suit. If the company shall claim that no liability existed as to the mortgagor or owner, it shall, to the extent of payment of loss to the mortgage, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue, or it may pay off the mortgage debt and require an assignment thereof and of the

mortgage. Other provisions relating to the interests and obligations of such mortgagee may be added hereto by agreement in writing.

3. Failure upon the part of the mortgagee to comply with any of the foregoing obligations shall render the insurance under this policy null and void as to the interest of the mortgagee.
4. If this policy is cancelled, the company will give the mortgagee specifically named in this policy a written notice of cancellation.
5. If the company cancels this policy, the mortgagee will be given the same number of days' notice of cancellation as the Insured.
6. If the Insured cancels this policy, the mortgagee will be given notice of cancellation to be effective on the date stated in the notice; however, the effective date of cancellation cannot be before the 10th day after notice is mailed.
7. The company will not give notice of cancellation to any successor or assignee of the mortgagee named in this policy.
8. In the event of a foreclosure under a deed of trust, the lender may cancel this policy of insurance covering the property foreclosed upon and shall be entitled to any unearned premiums from this policy, provided the lender credits the amount of such unearned premiums against any deficiency owed by the borrower. Unearned premiums shall be determined by the customary short rate procedures.

ADDITIONAL GENERAL CONDITION, A LIQUIDATED DEMAND - A fire insurance policy, in case of a total loss by fire of property insured, shall be held and considered to be a liquidated demand against the company for the full amount of such policy. The provisions of this Article shall not apply to personal property.



APPLICATION OF POLICY TO DATE AND TIME RECOGNITION:

It is understood and agreed that, with respect to situations caused by the so-called "Year 2000" (hereinafter Y2K) problem, or any similar date or time recognition problem by computer hardware or software, this policy applies as follows. Date or time recognition means the recognition, interpretation, calculation, comparison, differentiation, sequencing, accessing or processing of data involving one or more dates or times, including the Year 2000.

1. The policy does not pay for remediation, change, correction, repair or assessment of any Y2K or similar date or time recognition problem in any computer hardware or software, whether preventative or remedial, and whether before or after a loss, including temporary protection and preservation of property. The policy does not pay for any time element loss resulting from the foregoing remediation, change, correction, repair or assessment.
2. Failure of computer hardware or software to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times, including the Year 2000, is not physical loss or damage insured against under the policy. The policy does not pay for any such incident or for any time element loss resulting from any such incident.
3. Subject to all of its terms and conditions, the policy does pay for physical loss or damage not excluded by the policy which results from a failure of computer hardware or software to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times. Such covered resulting physical loss or damage does not include any loss, cost or expense described in 1 or 2 above. If such covered resulting physical loss or damage occurs, and if this policy provides time element coverage, then subject to all of its terms and conditions, the policy also covers any insured time element loss directly resulting therefrom.

"Computer hardware or software" as used herein means any computer, computer system or component, hardware, network, microprocessor, microchip, integrated circuit or similar devices or components in computer or non-computer equipment, operating systems, data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, whether the property of the Insured or not.

"Data" as used herein includes but is not limited to "Electronic Data Processing (EDP) Data" as defined elsewhere in this policy.